The Progress Report

Annual Report and Accounts 2007

Future plc

The Progress Report
Introduction

At Future we base everything we do around clusters of like-minded individuals who are passionate about their interests. At this time of overwhelming choice, people want trusted editorial services more than ever before. And this is what Future does best. From computer games to film, from cycling to music-making, we provide magazines, websites and events that inform, entertain and unite these communities. We share the same passions as our consumers. These insights and our expertise are helping us to build and exploit our market-leading positions across different platforms in all of the core sectors in which we operate.

Contents

Financial highlights

Year ended 30 September 2007

Revenue	EBITAE	Adjusted Earnings Per Share	Dividends
£165.7m	£14.0m	2.5p	1.1p

Year ended 30 September 2006

Revenue	EBITAE	Adjusted Earnings Per Share	Dividends
£188.1m	£12.1m	2.2p	1.0p

EBITAE represents operating profit before exceptional items, impairment and amortisation of intangible assets.

Adjusted earnings per share are based on normalised results and exclude exceptional items, impairment and amortisation of intangibles and related tax effects.

Chairman's statement

Roger Parry
Chairman, Future plc
28 November 2007

I am pleased to report to shareholders on very encouraging progress over the past 12 months. Under the leadership of Stevie Spring, who joined as Chief Executive in July 2006, the Group has undergone significant change and is now unquestionably better focused, better positioned for the future, and more profitable.

Strategy

The Group is committed to a strategy of providing English-language content, by and for enthusiasts. Everything we do is based around communities – clusters of like-minded individuals – who are passionate about their interests: ranging from computer games to film, and from cycling to strumming. We provide all of these communities of interest with editorial services that inform, entertain and unite – in our magazines, online, via an increasing number of business partnerships, events and by exporting and licensing our English-language content to 90 countries.

Improved financial performance

Our statutory results show Group revenue of £165.7m (2006: £188.1m). EBITAE was £14.0m (2006: £12.1m) representing an improved operating margin of 8.4% (2006: 6.4%) despite an adverse currency impact of £0.7m; and before exceptional income of £1.7m (2006: exceptional costs of £7.3m), amortisation of £3.6m (2006: £5.8m) and impairment of £nil (2006: £33.0m). After these and net financing costs of £2.9m (2006: £2.7m), the Group recorded a pre-tax profit of £9.2m (2006: pre-tax loss of £36.7m) and basic earnings per share were 4.4p (2006: loss per share of 14.5p).

During the financial year, the Group sold its French and Italian subsidiaries, and these have therefore been classified as discontinued operations. In addition, 51 under-performing English-language titles were closed or sold and so we have also published 'normalised' results which exclude all revenues and costs of activities closed or divested between 1 October 2005 and 30 September 2007.

Normalised revenue was £159.2m (2006: £163.9m) and normalised EBITAE was £13.7m (2006: £13.4m). Normalised revenues in constant currencies were stabilised in the UK and US. Margin improvement has been achieved through tight control of direct costs across the Group, and strong margins in areas of growth, despite heavy investment, particularly online. Adjusted earnings per share were up 14% at 2.5p (2006: 2.2p).

Dividend

The Board proposes a final dividend of 0.6p per share, making a total of 1.1p per share for the year, an increase of 10% over 2006 yet comfortably covered by distributable profits in line with our dividend policy.

Board

In June this year, we were delighted to welcome Seb Bishop to the Board as an independent non-executive Director. Seb's creative background, extensive internet business experience and Anglo-American focus, fits perfectly with our strategy and the value of his contributions to the Board is already clear.

Current trading outlook

During this last year, we have concentrated our efforts better and this Annual Report provides full details, including a considered section on the outlook for our business in 2008 on page 24. We expect to make further progress in 2008 but, like most consumer-facing businesses, we continue to take a cautious view of our host markets. Nonetheless, our new financial year has begun satisfactorily.

The Future team

On behalf of the Board I should like to thank everyone at Future for their hard work, enthusiasm and commitment, which are so important in a creative company, and especially during this current period when so much change is in the air. In particular I should like to thank Stevie for her able and energetic leadership and unstinting efforts to improve the business. The extent of these achievements becomes clear in the Chief Executive's review.

I am also grateful to shareholders for their continued support. Through the many changes we have made in the last year, we have successfully refocused the Group, improved its financial performance and achieved an ably-led Company, much better placed to anticipate market change and to act accordingly. This bodes well for shareholder value.

The dynamics of our business

Our global reach

Future employs more than 1,200 people in the UK and US. Our strength is as a producer of English-language content. This content is internationally transferable through export, licensing and syndication. We export or license our magazines to 90 countries across the world.

10m

monthly unique users to our websites*

No.1

UK magazine exporter

4m

Each month Future sells four million magazines

No.2

specialist publisher on UK newsstand

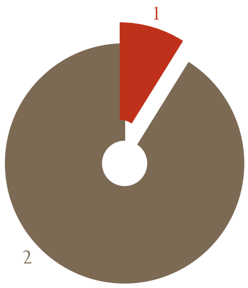
*Total number of each website's monthly unique visitors, September 2007 (source: HBX)

Revenue split.

Balancing the portfolio

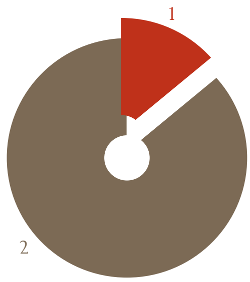
Across our four portfolios, online activity represents an increasing part of our business. Customer publishing has also grown.

In games, where we have our most established online properties, online now comprises 28% of advertising revenue.



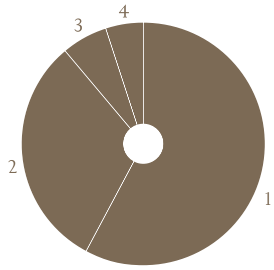
Advertising revenue 2006

1/ Online	9%
2/ Magazine	91%



Advertising revenue 2007

1/ Online	14%
2/ Magazine	86%



Revenues by destination 2007

1/ UK	58%
2/ US	31%
3/ Mainland Europe	6%
4/ Rest of World	5%

Our portfolio

Our magazines, websites and events are managed across four portfolios:

Games

PC gaming and videogaming

No.1 in games magazines, Future holds the licences to publish official titles for all three major console manufacturers, Microsoft, Sony and Nintendo in the US and the UK. In the US, *Official Xbox* is our biggest selling magazine. We are replicating this strength online with *gamesradar.com* ranking no. 3 among games information websites. The GamesRadar online network now has a bigger monthly audience than that of *fhm.com, nme.com, nuts.co.uk* and *zoo.co.uk* combined. This year, our *Golden Joystick Awards* attracted 750,000 votes from UK games players.

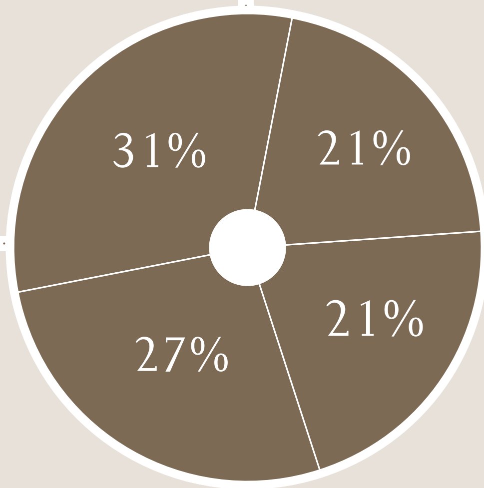
Magazines include: *Xbox 360: The Official Magazine, Official PlayStation Magazine, Official Nintendo Magazine, Nintendo Power, PC Gamer, Edge, GamesMaster*
Websites include: *gamesradar.com, cvg.com, next-gen.biz, pcgamer.com, oxm.co.uk, fileradar.net*
Events include: *Golden Joystick Awards*

Music & Movies

Film and TV, music

The portfolio includes established titles like *Total Film* and *Guitar World,* as well as *Classic Rock*, the UK's fastest growing rock music magazine. We are the global market leader in guitar magazines. In events, the *Metal Hammer Golden Gods* was screened by MTV across Europe this year, while *Classic Rock's Roll of Honour Awards* attracted some of the biggest names in rock music.

Magazines include: *Total Film, DVD Review, SFX, Guitar World, Classic Rock, Metal Hammer, Revolver, Guitarist, Rhythm, Total Guitar*
Websites include: *totalfilm.com, musicradar.com, guitarworld.com, classicrockmagazine.com, metalhammer.co.uk*
Events include: *Classic Rock Awards, Metal Hammer Golden Gods*



Group revenues by portfolio

Technology

Consumer electronics, computing & photography

Our technology portfolio has strong brands and international appeal. *T3* and *Digital Camera* are Future's top two internationally licensed titles. We have leading titles including *PC Format* and *What Laptop* in the PC Leisure segment. *Digital Camera*'s online *Photographer of the Year* competition attracted more than 70,000 entrants this year, while *DCmag.co.uk* has more than two million monthly page impressions.

Magazines include: *T3, Digital Camera, PC Format, What Laptop, MacFormat, Computer Arts, Imagine FX, MacLife, Maximum PC*
Websites include: *techradar.com, T3.com, maclife.com, computerarts.co.uk, maximumpc.com*
Events include: *Home Cinema Choice Awards, Showdown LAN, Gaming University, Photographer of the Year*

Active

Sport, auto and pastimes

Active includes a broad range of active and living titles, websites and events. *Fast Car,* and *Mountain Biking UK* feature in our UK top ten best sellers. Across web and print combined, we are the world's no.1 publisher in cycling. In crafts, sub-sector no.1s include *Simply Knitting, Your Family Tree* and *Cross Stitcher.*

Magazines include: *Pro Cycling, Cycling Plus, Mountain Biking UK, Health and Fitness, Fast Car, Fast Bikes, Redline, Future Snowboarding, Simply Knitting, Cross Stitcher, Your Family Tree*
Websites include: *bikeradar.com, cyclingnews.com, fastcar.co.uk*
Events include: *BikeFestUK, Classic Ford Show, Trax, Performance Vauxhall*

Business review
Chief Executive's review

Stevie Spring
Chief Executive, Future plc
28 November 2007

How time flies. I can't believe it's just 12 months ago that I set out to shareholders Future's new strategic direction and our near term priorities to strengthen, rationalise and redirect our core business.

We have sold or closed over 50 magazines; sold our French and Italian businesses; achieved nearly £7m in annualised operational savings; reinvested these savings in improving our systems, our people and our offer online. At the same time we have made changes to the pricing, distribution or design of every one of our more than 100 magazines to make sure they are meeting readers' needs and operating as efficiently and profitably as possible.

The benefits of these actions are evident in the improvement in our financial performance set out in this Report. A return to profit, increased operating margins, a strong improvement in our US business and significant reductions in our debt levels – which are some 26% below 2006 levels despite catch-up investment, particularly online – are all tangible signs that the recovery is working. We are by no means complacent, but we are pleased with what we've achieved.

Future today feels like a different organisation from the one I joined in July 2006. It is more focused, leaner and profitable, with a much more manageable level of debt. We are committed to our strategy; the direction in which we are heading; and in our ability to exploit our market-leading positions. In addition, we are embracing the online challenge facing all media companies with confidence, courage and conviction.

Without doubt, the progress we have made over the past year is a testament to the energy, creativity and commitment of everyone at Future. We still have more to do, but the platform we have established during 2007 is a much firmer one from which to develop. With the continued hard work and enthusiasm of the Future team, I am even more convinced today that our journey will be an exciting and rewarding one.

What we have been doing

I said last year that 2007 would be a year of transition as we directed our energies on improving returns by managing and developing our portfolio of brands more aggressively. There were to be no sacred cows and the portfolio was to be under continuous review. We have fixed where we needed to and invested the savings we have achieved in areas that we believe will deliver sustainable profitable growth. Good progress has been made during the year in each of our six key areas of focus.

- **Focus on basics:** No part of our business has been left untouched by our emphasis on driving operating efficiency and by constantly improving our products to ensure they retain their consumer and advertiser appeal. Every one of our magazines has been repositioned or redesigned in the last 18 months. In the last year, property, distribution, paper, print and covermount savings have all contributed to the cost savings we have secured for reinvestment in the business. Newsstand efficiency has improved 6% across the UK portfolio. We operate now only in those enthusiast segments with attractive commercial partnership potential. Host sector advertising comprises the principal component of our advertising revenues, with volumes and rates closely aligned to the fortunes of the relevant sector rather than the health of the general advertising market or wider economy. For example, games advertising reflects what is going on in the computer games market (new console or games launches). These characteristics, together with our engaged and loyal readership, mean that the economics of Future are more comparable to those of a Business to Business publisher rather than those of a general Business to Consumer publisher. We are, arguably, a Business to 'Professional Consumer' – or 'Prosumer' – publisher.

- **Focus on core:** What Future does best is produce high quality English-language content that can be exploited across different platforms – in print, online and face-to-face. We have strong market positions in games, film and music, technology, and active pursuits like bikes, cars and crafts. These sectors have been our main areas of focus during the year. The titles we have sold or closed since July 2006 have enabled us to better allocate our time, effort and financial resource on strengthening our position in our core sectors. In games, we are now the world's number one multi-platform content provider thanks to the combined strength of *gamesradar.com* and our expanded games

"Every consumer touchpoint in our portfolio has been reviewed and revised to ensure we continue to meet the changing demands of our readers."

magazine portfolio in both the US and the UK. Essential to Future are our people, who are the lifeblood of any creative industry. Ten new senior management hires across all parts of our business, including four new Directors in Online and a Chief Technology Officer, have brought a new perspective to the Group.

:: **Focus on audience:** Future's core audience is young, or young-at-heart, men; a notoriously difficult audience group to reach, but one that is highly valued by advertisers. We know these readers. We interact with them every day – online, in print and face-to-face. We create marketplaces where these groups congregate to discuss their passions, review developments and, increasingly, transact with sellers of relevant products. Over the past year, every consumer touchpoint in our portfolio has been reviewed and revised to ensure we continue to meet the changing demands of our readers and to create more attractive, accessible propositions for advertisers. And we have become exponentially better at cross-platform, cross-product and cross-category selling: aggregating our audience to improve our overall order value and making us a more attractive proposition to an increasing number of non-endemic advertisers. Our non-endemic brand count quadrupled in 2007.

:: **Focus on geography:** English is the 'lingua franca' of the web. Future's strength is as an English-language content producer, able to offer support and production from the UK and US, and more recently Australia. The breadth of our commercial relationships in the US in particular is a key component for future growth. The scale of opportunity is substantial and our established footprint should serve us well.

Our content is internationally transferable through export, licensing and syndication. We now license 64 magazines in 33 countries worldwide and have strengthened our focus in the BRIC countries – Brazil, Russia, India and China. Russia is already our second largest market.

We also export magazines to 87 countries. This focus on English-language content led to the disposal of our European businesses in Italy and France during the year, which together accounted for £23.2m in sales but just £0.8m in EBITAE. The strength of our content is evidenced by the fact that the purchasers of these businesses have chosen to continue taking licensed content from us for seven Future titles in France and eight in Italy.

:: **Focus on partnerships:** We have further consolidated our position during 2007 as the publishing partner of choice for the computer games industry. We recently secured the licence to publish official magazines for both Nintendo and Sony in the US market. This means that Future is now the official publishing partner for all three global console manufacturers on both sides of the Atlantic. We also strengthened our relationship with Microsoft during the year with the launch of the *Official Windows Vista* magazine across 12 territories: the largest global magazine launch ever.

Within partnership publishing, customer publishing (non-newsstand) revenues were up 59% year-on-year. New wins secured in 2007 included BT Vision, O2 and Odeon Cinemas, with retailers, media owners and other consumer-facing businesses increasingly recognising the value our design and editorial expertise can bring to their brands. This high margin business offers good balance to our newsstand driven revenues. Partnership publishing overall now represents approximately 21% of normalised Group revenues. We envisage that the majority of our revenues will still come from our own brands for the foreseeable future but that the proportion will reduce as our publishing partnerships expand.

:: **Focus online:** We invested £11.5m (net £4.6m) in the business during the year online. This was more than we had planned and reflected the timing of recruitment of our key online hires, together with the anchor acquisitions of two cycling websites – *bikely.com* and *cyclingnews.com* – which formed part of the summer launch of BikeRadar, the world's largest network of cycling websites. This delivered over five million ad impressions in July 2007 and its Tour de France podcast coverage reached number eight in the iTunes

+65%

Customer publishing (non-newsstand) revenues were up 65% year-on-year in constant currencies

28%

Games online advertising revenue now represents 28% of our total games advertising

+50%

Online advertising revenues increased 50% in 2007

podcast chart. We are continuing to develop BikeRadar, including the launch of an e-commerce offer for UK users to buy products online from a selection of the UK's leading cycle retailers.

Our most evolved web property, *gamesradar.com*, doubled revenues in the US year-on-year, helped by a number of innovative advertising initiatives such as the creation of an online game for Dodge. GamesRadar's monthly audience is now bigger than *fhm.com, nme.com, nuts.co.uk* and *zoo.co.uk* combined (source: ABCe). Our games online advertising revenue now represents 28% of our total games advertising. For Future as a whole, online advertising revenues were up 50% and now represent 14% of advertising revenues.

We will continue to focus investment on online properties in the coming year, with new website launches in technology, design and music. Net online investment currently planned for 2008 is another £5m. Our new non-executive Director, Seb Bishop, is a valuable critic of our online strategy and I am particularly pleased to have him on board.

Change remains a constant

The media market is going through a period of intense change. Newspapers are launching TV channels, radio stations are moving online, TV companies are buying travel guides and telecoms operators are entering the media market. All of us are grappling with the impact the web is having and will continue to have on existing and future business models.

Audiences too are changing. They are more in control, more demanding and more fragmented, making them increasingly harder to reach and retain. This makes those who can attract them more valuable as a result. The prices that are being paid for nascent online properties with large audiences are truly staggering by all normal valuation metrics – particularly as you can't cash eyeballs at the bank!

Future is well equipped to ride and exploit these trends. Our content is both valued by the communities we serve and valuable to advertisers and partners in establishing a connection with these large communities. We continue to develop innovative ways to bring buyers and sellers together and in the online world we are experimenting with new ways to maximise returns from this interaction. Furthermore, the size and potential of our core sectors is huge: just in games, the *Halo 3* video game grossed $170m within 24 hours of its release.

We will continue to maintain the right balance between magazines and online in sectors with healthy endemic commercial opportunities, in order to meet the challenges presented by the ever-changing media market. We will not neglect our heritage and we remain committed to the unique role enthusiast magazines have in meeting consumer needs for as long as they are profitable. Until the day when electronic media delivers the same experience, magazines will continue to have an important role to play in fuelling people's passions. Already for 2008 we have launched four new magazines: in the UK, *PhotoPlus* and *You Can Craft;* in the US, Nintendo and Sony's official games titles. For 2008, the majority of our investment focus is, rightly, aimed at online properties although the majority of cash to fund that investment will still come from specialist magazines.

Outlook

The progress we have made in 2007 has created a much firmer platform for future growth.

We have refocused the business on its core and driven out costs, reinvesting the savings in those parts of our business – online, core sectors, US expansion and partnership publishing – which offer opportunities for above market growth in both sales and margins.

We enter 2008 with a much healthier business, a stronger balance sheet and a reinvigorated team. We know there is more to do, but we are up for the challenge and confident that Future is back on track and in a position to shape its own future.

"We will maintain the right balance between magazines and online in sectors with healthy commercial opportunities."

Business review

Group strategy

Page number:

Last year, we identified six strategic priorities for the business. During 2007, good progress has been made in each of these six areas of focus. In the following pages you will find out more about these priorities, and what we've achieved so far.

+11%

T3 newsstand sales grew by over 11% in 2007

1

Editorial quality and design excellence, underpinned by the focus, passion and expertise of our people, are the cornerstones of Future's success as an enthusiast publisher. Through a constant programme of product improvements, we are reinvigorating our magazines to ensure their popularity endures among readers and advertisers. By carefully managing pricing and distribution efficiencies we are delivering maximum value from these titles. In the last 18 months our entire portfolio of magazines has been redesigned or repositioned. Most recently, we have completed the redesign of popular titles including *Classic Rock, T3, Total Film, Official Xbox 360 Magazine* and *MacLife*.

Focus on basics

Our progress

- Following its repositioning under a new editor, gadget magazine *T3* has gone from strength to strength. Newsstand sales grew by over 11% in 2007 while subscriptions grew 14%. As Future's most licensed international product, its design and editorial appeal transcend geographic boundaries.
- The renaming and relaunch of *MacLife* in the US in January provided a huge boost to sales. In the first half of the year, newsstand sales increased by over 50%. The relaunch proved popular among advertisers too with the new magazine delivering a substantial increase in advertising market share.
- *Classic Rock's* redesign ensured it maintained its place as the UK's fastest growing rock music magazine in 2007, posting a 20% audited increase in sales in June 2007.
- We are actively managing our business to increase subscriptions as a proportion of sales. We have invested in the redesign and relaunch of our UK online subscriptions shop, *myfavouritemagazines.co.uk*. As a result of this and more aggressive marketing – even in a market with ubiquity of distribution – subscriptions now comprise 18% of copy sales, up from 16% in 2006.

2

We have focused on building strength cross-platform in our core sectors – games, music & movies, technology and active. We hold, or are targeting, leadership positions in all of the core sectors in which we operate. By micro-managing our portfolios across different platforms – magazines, web, events – we are taking our core skills and experience and leveraging them in new ways.

Focus on core

Our progress

- In the film sector, we are the UK's biggest publisher, built on the foundation of one of our top selling magazines, *Total Film*. Under the *Total Film* banner, Future produces *Sky Movies* magazine which reaches more than four million homes every month. This year, Future also won the contract to produce the customer magazine for Odeon cinemas.
- *Guitar World* is the world's number one guitar magazine. We have taken the strength of this 27 year old magazine and are using it to build equity and revenue across different platforms.

Through a partnership with cable television operator Comcast, *Guitar World* delivers guitar lessons, demos and music to more than 14 million subscriber households in the US. This year, *Guitar World* secured a partnership with North America's leading guitar retailer, Guitar Centre, as the sponsor and customer publisher for its national guitar competition, *King of the Blues*. We have also used existing newsstand channels in the US to distribute more than 90,000 *Guitar World* branded instruction DVDs, a first for products to be distributed in this way.

No. 1

Guitar World is the world's no. 1 guitar magazine

No. 1

BikeRadar is the world's largest network of cycling websites

3

Future's core audience is male, young or young-at-heart. We know them because whether they are reading one of our magazines, attending an event, or participating in one of the many online forums on our websites, we have a unique insight into what makes them tick. And we know how to cluster these groups commercially by psychographic profile. Following a reorganisation of the advertising sales teams in 2006, we have stepped up our efforts to maximise returns from our relationships with advertisers and consumers in different ways and across different platforms.

Focus on audience

Our progress

:: Future's websites attract more than ten million unique monthly site visits and hundreds of thousands of forum participants each day, providing an incredible opportunity to engage with this audience. With the launch of *BikeRadar* in June 2007 and this year's acquisition of *cyclingnews.com*, Future has created the world's largest network of cycling websites. *bikeradar.com* alone has well over 100,000 registered forum users.

:: This opportunity to engage with millions of cycling enthusiasts has proved popular with both endemic and non-endemic advertisers. In addition to securing advertising from across the cycling industry, we have already run campaigns on *bikeradar.com* for, among others, the Royal Marines, McDonalds and Citroën.

4

Future's strength is in English-language content provision. Our content is internationally transferable through export, licensing and syndication. We are the UK's biggest exporter of monthly magazines. In total we export, license or syndicate our titles to 90 countries. Titles like *T3, Digital Camera* and *Classic Rock* are as popular in international markets as they are in the UK.

Focus on geography

Our progress

:: In 2007 we expanded our global licensing footprint by 10% and Future now licenses 64 titles in 33 countries. We see the BRIC – Brazil, Russia, India, China – developing markets in particular as offering great potential and we have continued to strengthen our presence in these countries. Russia, for example, is already our second largest market for licensed publications.

We also export magazines to 87 countries, making us the UK's biggest exporter of monthly magazines.

:: The launch of *Windows Vista* magazine early in 2007 across 12 different territories – including UK, US, France, Spain, Germany, Brazil and Australia – represents the single biggest global magazine launch ever.

Top 5 exported titles:
1/ Classic Rock
2/ Linux Format
3/ Digital Camera
4/ Metal Hammer
5/ Computer Arts

Top 5 licensed titles:
1/ T3
2/ Digital Camera
3/ Windows Vista: The Official Magazine
4/ Xbox 360: The Official Xbox Magazine
5/ PC Gamer

70%

Future holds a share of more than 70% of the Anglo-American games publications market

5

Future has long-standing, deeply embedded publishing partnerships with some of the world's biggest technology, telecoms and broadcast companies. We have focused on strengthening our existing partnerships, and creating new ones, to enable us to leverage further our high-value content and publishing skills in print and online.

Focus on partnerships

Our progress

- During the year we have gone from strength to strength in the official games magazine market. Following contract wins for the publication of the official Nintendo and Sony magazines in the US, Future now holds the US and UK licences to publish official titles for all three major console manufacturers: Microsoft, Sony and Nintendo. Future now holds a share of more than 70% of the Anglo-American games publications market. In the UK, *Official Nintendo Magazine* and *Xbox 360: The Official Xbox Magazine* both reported strong double-digit growth in June's audited year-on-year circulation.
- In customer publishing, we have successfully leveraged Future's editorial and design skills to secure a number of contract wins including Odeon, O2 and BT Vision. We are now the UK's biggest customer publisher in both the film and consumer electronics sectors.

6

The internet is the ultimate medium for enthusiasts and presents a considerable opportunity for Future. We are investing to acquire, grow and migrate the skills we need to exploit our online potential. We have invested £4.6m (net) in digital development in 2007. We have made significant senior level digital appointments to deliver our strategy including a new Chief Technology Officer and new Directors in online in the US and UK. Our technology team now numbers more than 70 people.

Focus online

Our progress

- Future's websites now attract more than ten million unique monthly site visits. Our online properties contributed 14% of advertising revenues in 2007, up 50% on 2006. In games, where we have our most established online properties, the figure stands at 28% of advertising revenue.
- Future's *gamesradar.com* is the world's third largest games information site. Websites within the GamesRadar network including *fileradar.net* and *next-gen.biz* have helped to drive traffic and provide a compelling proposition for online advertisers. GamesRadar's monthly audited audience is now bigger than that of *fhm.com*, *nme.com*, *nuts.co.uk* and *zoo.co.uk* combined.
- The launch of BikeRadar will be followed by the roll out of MusicRadar and TechRadar so we will have Radar portals in each of our four core verticals.

No.3

gamesradar.com is the world's third largest games information site

Business review
Financial review

John Bowman
Group Finance Director,
Future plc
28 November 2007

+14%

Adjusted earnings per share up 14%

Future's business
Future is a special-interest media business, with leading brands in many sectors. Future plc is listed on the London Stock Exchange (symbol FUTR).

Strategy
Future's strategy is to provide English-language content, by and for enthusiasts who are passionate about their interests. We provide targeted content in our magazines, online, via an increasing number of business partnerships, events, and by exporting, licensing and syndicating our English-language content to 90 countries.

What Futures does
We produce more than 100 magazines alongside 75 websites and 16 annual live events. We have strong market positions in many of our sectors, which cover games, music & movies, technology, cycling and other sports, automotive and crafts. The majority of our products appeal to the young male demographic. Over three quarters of the Group's business is built on our own brands. We also operate a number of highly successful publishing partnerships with some of the world's most respected companies.

Drivers of growth
Our publishing successes are linked to the fortunes of individual sectors. For example, growth in games, our largest segment, will vary with the availability of computer games playable on third-generation games consoles. Growth is dependent on the number of magazines sold, visitors to our websites, and on the value of advertising sales. Growth drivers currently are in our online business and in customer publishing. In both of these areas we have invested in additional resources to help maximise growth.

Assets
Our most important assets are our 1,200 people, whose skills, enthusiasm and creative abilities underpin our business. Our employees are based in offices in the UK and US. Our most significant financial asset is our healthy cash flow.

Management
The Group has an experienced management team led by Chief Executive, Stevie Spring, and our management teams across the UK and US have considerable relevant business experience on which to draw.

During the last year, Future streamlined its management teams in the interests of greater efficiency and expanded its capabilities by the recruitment of a number of senior managers, particularly with digital and online experience.

The success of our Group requires the careful execution of a considered strategy, and in turn this depends on having a well-managed and motivated workforce capable of the task. This is particularly important in media organisations, where our principal asset is our creativity.

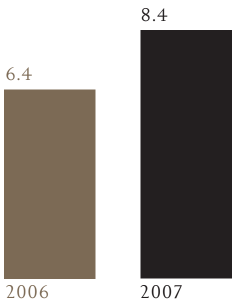
Future's progress is monitored by the Board and each Director has business experience which includes the media sector. Full details of the Board's role are set out in our Corporate Governance report on pages 34 to 40.

Key Performance Indicators
In listing those performance indicators which are considered key to Future's business, the Board has taken account of the implications of the Companies Act 2006 and other regulations and guidance in this area.

It is already clear that there are some KPIs which are valuable both in terms of measuring our annual progress and in helping to create value. We will report on the KPIs shown opposite in both this Report and next year's. While some of these are straightforward, some require more commentary.

The table opposite shows the Key Performance Indicators relating to the business for 2007 together with explanatory notes.

EBITAE margin
(£ millions)



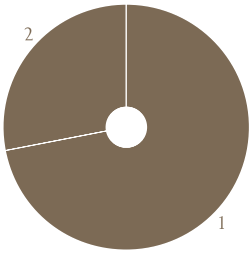
EBITAE margin
(%)

Key Performance Indicators	
Annual growth in revenue (normalised at constant currency)	Flat
EBITAE operating margin (as a %)	8.4%
Absolute EBITAE (in Sterling)	£14.0m
Change in adjusted earnings per share (as a %)	+14%
Number of magazines sold per month	4.0m
Proportion of magazines sold from total number printed	See notes 1–3
Proportion of Group's business derived from our brands compared with partnership publishing	79:21 (note 4)
Number of unique users logging on to our websites per month	10m (note 5)
Growth in total advertising revenue (as a % at constant currency)	+3%
Proportion of advertising revenue that is online (as a %)	14%
Human Capital	See note 6
Net bank debt	£24.3m

Notes:

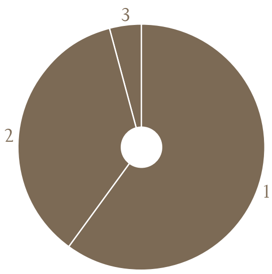
1. The majority of magazines printed by the Group are sold, and those unsold are mainly recycled and used for newspaper production. The precise proportion sold at newsstand is a detailed KPI each month for every title. However, the Group believes that it is commercially sensitive to disclose these percentages, since competitors typically do not release this information. Magazines printed for subscription have no wastage.
2. In the UK 82% of magazines (by volume) are sold at newsstand. Our overall UK average newsstand efficiency improved in 2007 by 6% compared with 2006. Future has increased the proportion of magazine volume sales derived from subscription rather than newsstand, from 16% to 18%. The majority of UK revenues are derived from cover price.
3. In the US 35% of magazines (by volume) are sold at newsstand. The majority are sold by subscription at heavily discounted prices, and the majority of magazine revenues are gained from advertising.
4. Partnership publishing represented 21% of normalised 2007 Group revenue. This category includes business from our Official magazines published for Microsoft (Xbox 360 and Vista), Sony (PlayStation) and Nintendo, plus customer publishing activities. The majority of the Group's revenue is generated from our own brands.
5. For each of our websites we know the number of page impressions and we know the number of unique visitors to that website. We do not know how many unique visitors visit more than one of our websites. The number presented here is the simple total of each website's average monthly number of unique visitors.
6. Human Capital is the Group's most important resource, with 1,200 employees. In the running of our business, the most important focal point is the publisher responsible for each magazine and website. We focus on retention of key employees to drive our business. Equally, we believe in refreshment of the team with new people and new ideas.

Business review
Financial review – continued



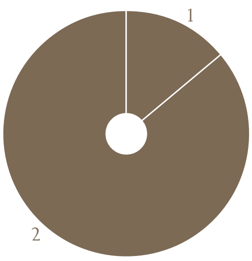
Split of revenue by geography

1/ UK	72%
2/ US	28%



Group revenues by source

1/ Circulation	60%
2/ Advertising	36%
3/ Other	4%



Advertising revenue 2007

1/ Online	14%
2/ Magazine	86%

Results for 2007

This financial review is based primarily on a comparison of our IFRS results for the year ended 30 September 2007 with those for the year ended 30 September 2006. Unless otherwise stated, growth percentages relate to a comparison of these two years.

In running the business, Future management focuses on earnings before interest, tax, amortisation and impairment, and exceptional items. Profit on disposal of subsidiaries is also excluded. For convenience we refer to this as EBITAE.

This year, we report both statutory results and normalised results. Statutory results state the results for 2007 compared with 2006, while normalised results focus on the shape of the Group as it was at the year end. This latter information may be more helpful to those looking forward to the outlook for the business in 2008. A reconciliation of normalised to statutory results is provided on page 85.

Statutory results for year ended 30 September

The statutory results for the Group are set out on pages 54 to 84.

Revenue was £165.7m (2006: £188.1m) and the business generated EBITAE of £14.0m (2006: £12.1m) representing a strengthened EBITAE margin of 8.4% (2006: 6.4%).

The income statement includes net exceptional credits of £1.7m (2006: exceptional costs of £7.3m), a charge for amortisation of intangible assets of £3.6m (2006: £5.8m) and impairment of £nil (2006: £33.0m) and net financing costs of £2.9m (2006: £2.7m), leading to pre-tax profits of £9.2m (2006: loss of £36.7m) for the year.

Year ended 30 September	2007 £m	2006 £m
Revenue	**165.7**	188.1
EBITAE	**14.0**	12.1
EBITAE margin	**8.4%**	6.4%
Operating profit/(loss)	**12.1**	(34.0)
Pre-tax profit (loss)	**9.2**	(36.7)
Earnings/(loss) per share – Continuing (p)	**2.3p**	(10.7)p
Earnings/(loss) per share – Total (p)	**4.4p**	(14.5)p
Dividends relating to the year (p)	**1.1p**	1.0p

Normalised results are presented to reflect better the current size and structure of the business, which is consistent with how the business is managed and measured on a day-to-day basis. The normalised results exclude revenues and costs of activities closed or divested between 1 October 2005 and 30 September 2007.

The Group discontinued its operations in France and Italy during the year. The revenue and EBITAE attributable to these businesses in 2007 was £23.2m and £0.8m respectively and the businesses were sold for gross proceeds of £10.0m and a profit on disposal of £4.5m.

The Group also closed or sold 51 under-performing titles (in the UK and US) during this, or the prior, financial year. The revenue and EBITAE attributable to these titles in 2007 was £6.5m and £0.3m respectively and the titles were sold for an exceptional profit of £1.0m.

Normalised results exclude both the discontinued business and the 51 titles described above.

Normalised results

Year ended 30 September	2007 £m	2006 £m
Revenue	**159.2**	163.9
EBITAE	**13.7**	13.4
EBITAE margin	**8.6%**	8.2%
Adjusted earnings per share (p)	**2.5p**	2.2p

Dividend

The Board's policy is that dividends should be covered at least twice by adjusted annual earnings per share. In respect of the year ended 30 September 2007, adjusted earnings per share were 2.5p per share and the Board has recommended total dividends of 1.1p per share for the year.

An interim dividend of 0.5p (2006: 0.5p) per share was paid on 12 July 2007. The Board is proposing a final dividend of 0.6p (2006: 0.5p) per share, bringing this year's total to 1.1p (2006: 1.0p) per share.

If approved at the Annual General Meeting to be held on 29 January 2008, the final dividend of 0.6p per share will be paid on 30 January 2008 to shareholders on the register on 4 January 2008. The ex-dividend date will be 2 January 2008.

Review of operations (based on normalised results)

Group revenue fell by 3% to £159.2m but was flat in constant currencies. Revenues in the UK and US were stabilised, with expected softness in some games, computing and performance car revenues compensated for by growth in online and customer publishing. Both UK and US operating margins improved. Margin improvement has arisen from tight control of direct costs across the Group, and strong margins in areas of growth despite an aggressive investment programme.

"Our music, digital creative, craft and digital camera titles have all performed well."

Analysis of revenue for year ended 30 September (normalised)

	% of Group	2007 £m	2006 £m	Change %
UK	**72%**	**115.1**	116.0	-0.8%
US	**28%**	**44.4**	48.2	-7.9%
Intra-Group	**–**	**(0.3)**	(0.3)	–
Total revenue	**100%**	**159.2**	163.9	-2.9%

In constant currencies, Group revenue was flat year-on-year. US revenues reported in Sterling were adversely affected by the exchange rate for the US Dollar, which weakened by 9% against the Pound.

Analysis of EBITAE for year ended 30 September (normalised)

	2007 £m	2006 £m	Change %
UK	**14.4**	14.3	+0.7%
US	**2.8**	2.6	+7.7%
Central costs	**(3.5)**	(3.5)	–
Total EBITAE	**13.7**	13.4	+2.2%

Exceptional items
Net exceptional credits for the year totalled £1.7m (2006: exceptional costs of £7.3m).

An exceptional credit of £1.7m reflects the release of previous property provisions. The largest element was in respect of the Group's previous office in London, where the Group negotiated a surrender of the entire lease, which was due to expire in 2012.

The Group incurred costs relating to redundancy, restructuring and other costs totalling £1.0m.

During the year, the Group realised a profit of £1.0m in relation to the disposal of English-language magazine titles and trademarks.

Discontinued operations
During the year, £6.8m of profit arose from discontinued operations in France and Italy. This comprises £4.5m profit on disposal, £0.8m of EBITAE and £1.4m of provisions released. The tax charge relating to this profit is £0.1m.

Leasehold property and related balance sheet provisions
All previously unoccupied property has now been either assigned, sub-let or the lease surrendered. Property provisions carried at 30 September 2007 totalled £0.3m (2006: £4.4m).

Intangible assets
The annual charge for amortisation of intangible assets was £3.6m (2006: £5.8m). The reduction reflects a number of intangible assets having been fully written down during the previous year. No impairment charge was required this year (2006: £33.0m).

Taxation
The Group's tax strategy is to minimise its liabilities to taxation, having regard to commercial circumstances, tax history, the risk of changing legislation, and delays in agreeing matters in the UK and the US.

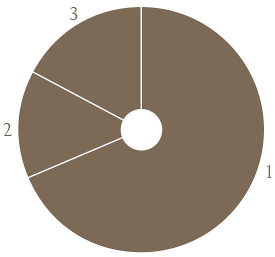
The tax charge for the year amounted to £1.8m (2006: tax credit of £1.9m), comprising a current tax charge of £1.8m and a deferred tax charge of £nil. The £1.8m represents an effective tax rate of 24% as applied to profit before tax and exceptionals.

The standard rates of corporation tax are 30% (UK, reducing to 28% from April 2008) and 41% (US). The Group benefits from the structuring of certain acquisitions and other planning steps.

Group performance for year ended 30 September 2007 (normalised)

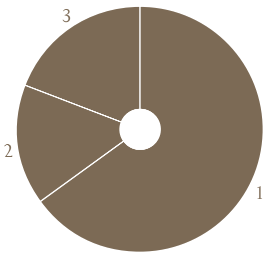
	2007 Revenue £m	2007 Contribution £m	2007 Margin %	2007 % of revenue	2006 Revenue £m	2006 Contribution £m	2006 Margin %
Games	**49.0**	**13.5**	**28%**	**31%**	53.6	13.4	25%
Music & Movies	**34.3**	**8.8**	**26%**	**21%**	33.0	9.5	29%
Technology	**43.3**	**13.0**	**30%**	**27%**	43.6	13.8	32%
Active	**32.9**	**6.2**	**19%**	**21%**	34.0	6.1	18%
	159.5	**41.5**	**26%**	**100%**	164.2	42.8	26%
Less: intra-Group	**(0.3)**				(0.3)		
	159.2				163.9		
Overheads		**(27.8)**				(29.4)	
EBITAE		**13.7**	**9%**			13.4	8%

Business review
Financial review – continued



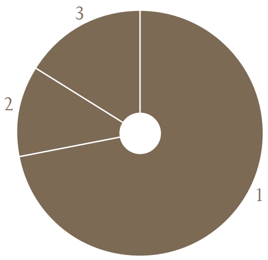
UK circulation volume by type

1/ UK newsstand	68%
2/ Export newsstand	14%
3/ Subscriptions	18%



UK circulation revenue by type

1/ UK newsstand	65%
2/ Export newsstand	16%
3/ Subscriptions	19%



UK advertising revenue

1/ Magazines	72%
2/ Online	12%
3/ Customer Publishing	16%

UK performance for year ended 30 September (normalised)

	2007 £m	2006 £m	Change %
Circulation revenue	75.6	77.5	-2%
Advertising revenue	33.8	33.4	+1%
Licensing, events & other	5.7	5.1	+12%
Total revenue	115.1	116.0	-1%
EBITAE	14.4	14.3	+1%
EBITAE margin	12.5%	12.3%	

Whilst normalised revenues were broadly flat year-on-year, this was achieved in a challenging market and in a year still impacted by some aspects of the transition to third-generation games consoles. A small reduction in circulation revenue was offset by increased advertising and other revenues as shown in the table above.

Within circulation revenue, increases in subscription revenue partly offset a decrease in newsstand revenue. Advertising revenue grew, with a reduction in display advertising more than offset by a strong increase in online advertising revenues and in our customer publishing business, Future Plus.

There was a decrease in revenues from PlayStation titles, while titles relating to Microsoft and Nintendo consoles (which launched earlier) have performed well. Other notable performances this year included our music, digital creative, craft and digital camera titles.

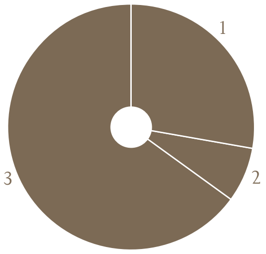
For the new financial year we have launched two new titles in growth areas, *You Can Craft* and *PhotoPlus*.

With effect from 1 May 2007 we moved distribution of all our UK magazines to Seymour, one of the specialist UK magazine distributors. As we reported at the half-year, this is expected to benefit the business from 2008.

We have continued to focus hard on cost control to create flexibility for investment in faster-growing areas of the business, particularly online.

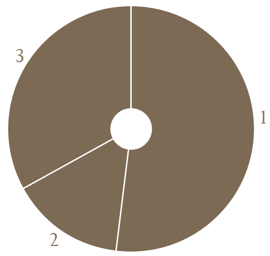
	2007 Revenue £m	2007 Contribution £m	2007 Margin %	2007 % of revenue	2006 Revenue £m	2006 Contribution £m	2006 Margin %
Games	26.8	8.8	33%	23%	28.7	9.2	32%
Music & Movies	24.5	6.5	27%	21%	23.0	6.4	28%
Technology	34.4	10.4	30%	30%	33.7	11.1	33%
Active	29.4	6.7	23%	26%	30.6	6.2	20%
	115.1	32.4	28%	100%	116.0	32.9	28%
Overheads		(18.0)				(18.6)	
EBITAE		14.4	13%			14.3	12%
Exceptional items		2.2				(6.2)	
Amortisation and impairment		(2.7)				(27.3)	
Operating profit/(loss)		13.9				(19.2)	

"MacLife had a very successful launch and drove the margin improvement in the technology sector."



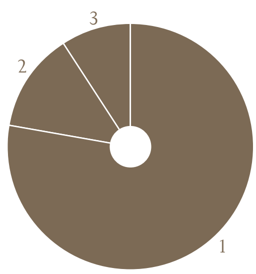
US circulation volume by type

1/ US newsstand	28%
2/ Export newsstand	7%
3/ Subscriptions	65%



US circulation revenue by type

1/ US newsstand	52%
2/ Export newsstand	15%
3/ Subscriptions	33%



US advertising revenue

1/ Magazines	78%
2/ Online	13%
3/ Customer Publishing	9%

US performance for year ended 30 September (normalised)

	2007 $m	2006 $m	Change %
Circulation revenue	**40.4**	42.6	-5%
Advertising revenue	**45.2**	42.8	+6%
Licensing, events & other	**1.9**	1.4	+36%
Total revenue	**87.5**	86.8	+1%
EBITAE	**5.5**	4.7	+17%
EBITAE margin	**6.3%**	5.4%	

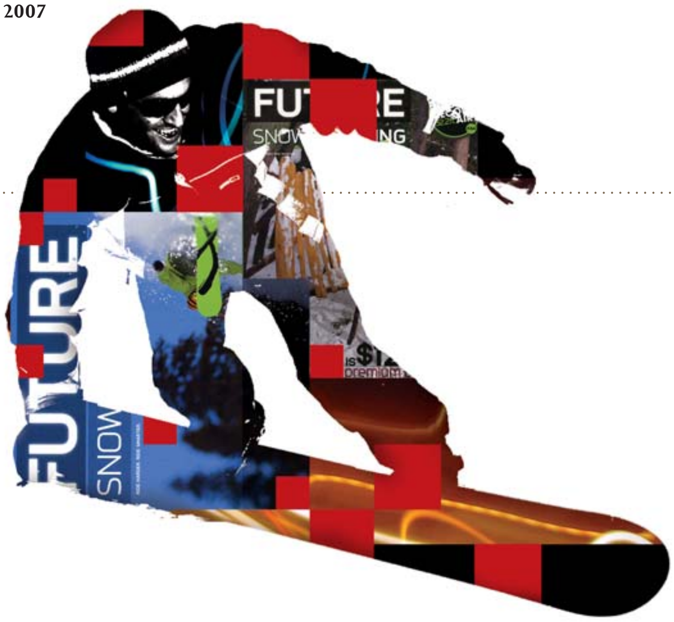
Overall revenue increased by 1% in constant currencies in the US, with a decrease in circulation revenue offset by increases in online advertising revenue and customer publishing. The performance of *gamesradar.com* has been very encouraging and has contributed significantly to our US games margin improvement year-on-year.

We took action during the year to restructure our New York-based music business, designed to improve operating performance. In technology, *MacLife* had a very successful launch and drove the year-on-year margin improvement in that area.

With effect from 1 January 2008 we are moving distribution of all our US magazines to Time Warner Retail, one of the largest magazine distributors in the US.

As with the UK we have kept the cost base under constant review.

	2007 Revenue $m	2007 Contribution $m	2007 Margin %	2007 % of revenue	2006 Revenue $m	2006 Contribution $m	2006 Margin %
Games	**43.6**	**9.3**	**21%**	**50%**	44.7	7.6	17%
Music & Movies	**19.5**	**4.6**	**24%**	**22%**	18.1	5.6	31%
Technology	**17.6**	**5.1**	**29%**	**20%**	17.9	4.8	27%
Active	**6.8**	**(1.0)**	**–**	**8%**	6.1	(0.1)	–
	87.5	**18.0**	**21%**	**100%**	86.8	17.9	21%
Overheads		**(12.5)**				(13.2)	
EBITAE		**5.5**	**6%**			4.7	5%
Exceptional items		**(1.0)**				(1.1)	
Amortisation and impairment		**(1.7)**				(20.6)	
Operating profit/(loss)		**2.8**				(17.0)	



Business review
Financial review – continued

+14%

Adjusted earnings per share up 14%

Earnings per share

Basic earnings per share for the total Group were 4.4p (2006: loss per share of 14.5p). Based on normalised results and after adjustments to exclude the impact of intangible amortisation and impairment and exceptional items (including any related tax effects), profit after tax amounted to £8.1m (2006: £7.2m). With a weighted average of 324.6m shares in issue, adjusted earnings per share were up 14% on last year at 2.5p per share (2006: 2.2p). Full details are set out in note 10 of the financial statements and note 3 to the normalised results.

Group revenues (normalised)

The tables below analyse Group revenues.

Revenue by country	% of Group	2007 £m	2006 £m	Change %
UK	72%	115.1	116.0	-1%
US	28%	44.4	48.2	-8%
Intra-Group	–	(0.3)	(0.3)	–
Group revenue	100%	159.2	163.9	-3%

Revenue by type	% of Group	2007 £m	2006 £m	Change %
Circulation	60%	96.1	101.3	-5%
Advertising	36%	56.7	57.0	-1%
Licensing & events	4%	6.4	5.6	+14%
Group revenue	100%	159.2	163.9	-3%

Advertising revenue	% of Group	2007 £m	2006 £m	Change %
Magazines	74%	42.0	47.5	-12%
Online	12%	6.9	4.6	+50%
Future Plus	14%	7.8	4.9	+59%
Advertising revenue	100%	56.7	57.0	-1%

Proportion of Group	UK	US	Group
Games	17%	14%	31%
Music & Movies	15%	6%	21%
Technology	22%	5%	27%
Active	18%	3%	21%
Total	72%	28%	100%

Currency effect on revenues and profits

The Group impact of adverse currency movements was related to the US Dollar, which weakened by 9% against the Pound. This held back total revenues by £4.6m and therefore normalised revenues in constant currencies were flat.

Normalised EBITAE of £13.7m was similarly held back by £0.7m.

Half-yearly performance

The table below analyses the normalised business results during the last two years into first-half and second-half performance.

	First Half-year to March £m	Second Half-year to September £m	Total £m
Revenue			
Year to 30 September 2006	81.2	82.7	163.9
Year to 30 September 2007	**79.2**	**80.0**	**159.2**
EBITAE			
Year to 30 September 2006	5.7	7.7	13.4
Year to 30 September 2007	**6.9**	**6.8**	**13.7**

During 2007, the second half-year saw the majority of our online spend.

Trading updates during the year

During the financial year the Group issued trading updates on 29 November, 30 January, 29 March, 13 June, 17 September and 26 September 2007 and each update superseded the previous one. The trading update on 26 September stated that based on the latest information, the Board expected the Group's EBITAE for the year to 30 September 2007 to be at the top end of current market expectations. This update implied EBITAE profits of £14.0m for the year including France. On 28 September the Group sold its French subsidiary, which generated £0.7m of EBITAE during the year. The actual EBITAE result for the year was £14.0m excluding France.

-26%

Net bank debt reduced by 26% to £24.3m

Balance sheet

As is common in media companies, Future has a low capital base and its value is better measured from its strong cash flows rather than by returns on capital employed.

The Group's net assets at 30 September 2007 amounted to £74.5m (2006: £63.6m) of which £109.1m (2006: £111.6m) related to intangible fixed assets. While the Group's net assets increased from £63.6m to £74.5m, the Group's net debt decreased from £32.8m to £24.3m. The Group's balance sheet is therefore stronger than a year ago.

The Company's distributable profits at 30 September 2007 were £72.9m.

Cash flow and net debt

Net debt at 30 September 2006 was £32.8m. Future continues to be cash-generative and the major cash inflows during the year were cash generated from operations of £14.0m, net proceeds from disposals of £3.7m and £0.6m in net tax receipts.

During the year the Group paid out £3.2m in dividends, £2.3m in respect of capital expenditure, £2.5m on acquisitions and £2.4m in net interest payments.

The Group's net bank debt at 30 September 2007 was £24.3m, a reduction of 26% since 2006 and a reduction of more than 38% since 2005.

Power to buy back shares

At the forthcoming AGM the Board will again seek to renew approval from shareholders to buy back shares. This power has never been used and at this time there is no intention to use the authority.

Capital structure and treasury policy

Since Future floated in June 1999, it has only once raised capital on the London Stock Exchange, via a £33m rights issue in September 2001.

The strength of the business since then is illustrated by the fact that the Group was free of net bank debt between May 2002 and June 2005.

Future funds its operations through a mixture of operating cash flow generated by the business and bank debt. The position at the year-end is well within the bank covenants as set out in the following table.

Bank covenants

	Year-end	Bank covenant
Net debt/EBITDA	1.4 times	Less than 2.5 times
EBITDA/interest	7.5 times	More than 3.5 times

Additionally, based on the calculation of 2007 EBITDA for bank purposes, the Group has headroom of approximately £19m over and above the level of bank debt at 30 September 2007.

The Board therefore considers that the Group's net bank debt is acceptable.

The majority of Future's debt is in Sterling, with the balance in US Dollars.

Consistent with policy published in previous years, the Group hedges a minimum of 25% of the gross bank debt above £10m. As at 30 September 2007, £15m of bank debt had been hedged at an interest rate of 4.38% for a two year period which expired on 10 October 2007. The Group benefited from this arrangement.

The Group has now hedged approximately £9m, representing 37% of year-end net debt. $8m is hedged at an interest rate of 4.67% for two years, and £5m is subject to an interest rate collar such that the interest rate cannot fall below 4.65% and cannot exceed 6%. This collar lasts for seven years and is cancellable by the bank after four years.

Earnings per share

Adjusted earnings per share are based on normalised results and are an absolute measure of performance, reflecting the change in the amount of earnings created each year by the Group's normalised activities. The adjustments exclude exceptional items, impairment and amortisation of intangibles and related tax effects.

Total shareholder return

Total shareholder return is used as a comparative measure of performance, combining the change in the value of Future's shares with the return provided to shareholders by dividends paid during the year.

Future's performance compared with its comparator group of other quoted media companies is highlighted in the Directors' remuneration report on pages 41 to 50, which also explains the current and proposed means of aligning interests of management and shareholders.

90%

of Group advertising revenue is tailored to areas of special-interest

£2.1bn

UK consumer spending on magazines in 2006 (source: Advertising Association)

The market

Macro-economic environment

Future has operating subsidiaries in only two countries, the UK and the US. In both countries there is relative economic stability, and some overall economic growth.

UK interest rates are higher today than a year ago, although the outlook has changed. During the last year interest rates have increased from 5.0% to 5.75%. GDP is forecast to grow by 3.0% in 2007 and by 2.0% – 2.5% in 2008. Inflation levels were at 2.1% in October, above the Government's target of 2%. A survey by the CBI showed retail sales growth slowed to its weakest in almost a year in September 2007, with consumer morale significantly reduced by the Northern Rock and wider credit crisis.

US interest rates were reduced by the Federal Reserve in September from 5.25% (their level a year ago) to 4.5%. In their statement they explained that economic growth was moderate during the first half of 2007 but the tightening of credit conditions had the potential to intensify the housing correction and to restrain economic growth more generally.

Dynamics and trends

In both the UK and US, it is expected that there will be growth in 2008 in total magazine advertising spend, online advertising spend, and total consumer expenditure on the purchase of magazines. Consumers in the UK spent nearly £2.1bn on magazines in 2006, a growth of more than £636m on 1996 figures (source: Advertising Association).

Positioning vs competition

Like every other company in the consumer media sector, we compete for the time and attention of consumers. Many of our magazine competitors publish general-interest magazines at lower prices. Our focus on areas of special-interest means that our key competitors are those who also publish special-interest offerings in the same sectors, whether in print or online.

Competitors

Our UK competitors include Emap, IPC (part of Time Warner), BBC Worldwide, Dennis Publishing and Haymarket. Online our competitors include IGN (part of News International) and Gamespot. In the US, competitors include Ziff Davis Media, IDG, Primedia and CMP Media.

Competitive advantages

In games, music, film, cycling and crafts, Future holds very strong leadership positions. In other segments, the market is more fragmented but we hold a number of attractive positions. The scale of our business already gives rise to a number of economies compared with the large number of smaller publishers.

Opportunity for our Group

Future has demonstrated its ability to launch UK magazines which quickly achieve profitability. Because our magazines are in enthusiast sectors, they typically do not require the much larger promotional budgets of some competitors of general-interest magazines.

The size of the potential market is many times greater in the US than in the UK, yet it costs a similar amount to establish a website in both countries. It therefore makes more sense for us to seek to exploit our strengths online, particularly in the US. Separately, the cost of magazine launches in the US remains very high in comparison with the UK business model.

Across our Group, innovation is key and our commercial experience shows that more innovative product offerings have increased appeal to consumers and advertisers alike, potentially leading to improved revenues and margins.

Risks

We operate a continuous process of identifying, evaluating and managing risk. The range of risks faced by Future has reduced compared with last year, following the disposal of our subsidiaries in France and Italy. There are a number of business risks to which Future is naturally exposed in the UK and US. Our internal controls seek to minimise the impact of such risks, as explained in our Corporate Governance report on page 38.

Macro-economic environment

While the macro-economic environment remains stable as described earlier, we are exposed to any significant or extended downturn in consumer confidence.

Regulatory

In addition to legislative constraints applicable to any business in the UK and US, Future is potentially constrained by competition regulation, and by other regulations affecting the content of a small number of our publications.

"In games, music, film, cycling and crafts Future holds very strong leadership positions."

"The Group has a long history of successful publishing partnerships including a fast-growing customer publishing business, Future Plus."

Industry
In the UK, we await the outcome of the OFT's review of magazine distribution arrangements. Were these to result in any material change to current arrangements, this could have an impact on both our retail and publishing activity.

Our employees
Our success depends on our ability to employ and motivate the right people, with the right skills, to help us drive the business forward. It is on our human resources that we are most dependent for innovation, creativity and efficiency.

Consumer spending on magazines
60% of the Group's revenue is dependent on consumers actively purchasing magazines. Such purchases depend on the normal, competitive publishing environment, which has been challenging during 2007, and on the macro-economic environment. However, the out-of-pocket cost of magazines is low in comparison with many other items of consumer expenditure.

Consumer behaviour
An increasing number of consumers are spending more time online, often at the expense of other elements of their leisure time. Advertising growth patterns continue to change and in the UK, internet advertising now accounts for a greater share of advertising expenditure than is allocated to radio, billboards, magazines or newspapers.

Future believes that consumers with particular special interests are likely to seek information, commentary and discussion on their chosen area through a variety of media. Consumers' propensity to spend money on magazines, online shopping, events and other products is influenced by a number of economic factors, including general economic indicators.

Advertiser behaviour
Advertising represents less than 40% of the Group's revenue and is subject to variation not only in relation to the strength of the Group's products but also in relation to shifts in macro-advertising trends. However, over 90% of the Group's advertising revenue is tailored to areas of special interest and is arguably, therefore, less susceptible to changes in levels of mainstream advertising, reflecting the advertising health of each sub-sector.

Distribution and magazine costs
Future contracts out printing and distribution and is therefore reliant on the efficiency of suppliers of these services. The cost of paper and printing generally reflects market conditions. Approximately half of Future's magazines are sold with covermounted CDs or DVDs and these too are purchased from external suppliers. Magazines are distributed by nominated distributors and there are many links in the chain to ensure that magazines, once printed, reach retail outlets on a timely basis. The cost and efficiency of postal arrangements affects magazines sold by subscription, which is particularly significant for Future in the US, and increasingly so for the UK.

Sector-specific
Games magazines are the largest segment of Future's business. The recent transition from second- to third-generation consoles took longer than originally forecast, thereby postponing consumer interest in related magazines.

Sources of intellectual property
The majority of Group revenues and profits are built on our own brands. A proportion of the Group's revenues and profits is derived from magazines which are branded Official in accordance with contracts with major companies including Microsoft, Sony and Nintendo. Although the loss of any such contract would constitute a loss of revenue, the Group has a long history of successful publishing partnerships with these and other companies, including a fast-growing customer publishing business, Future Plus.

Technological
A recent survey by the European Information Technology Observatory showed that among western European nations, UK consumers had the largest appetite for new gadgets and the internet. The internet provides both a threat and an opportunity to Future's business and we have increased our internet investments accordingly.

Financial
The Group is exposed to interest rate and foreign exchange risk, which it manages where appropriate by hedging arrangements. Taxation and VAT arrangements impacting the business are different in each country and any adverse change in such arrangements could impact our business.

Business review
Business outlook for 2008

"We expect to make further progress in 2008… but take a cautious view of our markets."

The EBITAE outturn for 2007 exceeded the Group's budget.

Given tough trading conditions and some sector-specific challenges, the Board believes that the business has developed significantly during the year.

We expect to make further progress in 2008, but like most consumer-facing businesses, we think it prudent to take a cautious view of our markets.

The business outlook for 2008 will be influenced by a number of issues. Some market segments have a more positive outlook than a year ago, while others remain challenging. Revenues may be impacted by the state of consumer confidence in the UK and US, which could impact advertising demand and magazine purchases; and by our ability to continue growing online advertising and customer publishing revenues.

Nonetheless, our new financial year is ahead of budget and we aspire to achieve modest growth in total revenue in 2008, predominantly organic. We will continue to invest online and in partnership publishing.

Our largest expenditure is on people costs, and most salaries have been reviewed at 1 October 2007 to reflect, on average, an inflationary increase. The majority of our direct costs (paper, print and discs) are underpinned by contracted rates applicable throughout the major part of the new financial year.

We are seeking to improve the overall proportion of sold magazines to those printed, although this cannot be taken for granted. We have changed our principal magazine distributor in the UK (from May 2007) and will change in the US from January 2008.

The majority of our EBITA profits are expected to be converted to cash. Cash outflows in 2008 are expected to include capital expenditure (not exceeding £2.9m), the net interest cost arising on our bank borrowings (which is likely to be readily affordable from profits before interest), business taxation and dividend payments. We do not anticipate any exceptional costs in 2008.

Since the year-end the value of the US Dollar has declined further against the Pound. Any weakening of the US Dollar below the average exchange rate of $1.96 = £1 (applicable to the last financial year) will reduce the size of US revenues and profits when reported in Sterling.

The phasing of our EBITA profit in 2008 is expected to reflect both intensity of investment in the first half and anticipated business activity levels in the second half. If we achieve our budget for 2008 then we will achieve progress against our performance indicators for the financial year as a whole.

History of the Group

Future was founded as a UK company in 1985. Its focus as a special-interest publisher has been built on a creative, innovative and competitive culture.

In 1994, Future UK was acquired by Pearson plc, which subsequently sold the business in 1998 to a management buy-out backed by Apax. In June 1999 the enlarged Group (including UK, US and other countries) was floated on the London Stock Exchange. Future's expansion included further overseas subsidiaries and a rapid build-up of internet operations.

Following this period of over-extension, the Group was scaled back during 2001, and its bank debt significantly reduced by (i) the disposal of its then largest magazine, and (ii) a 20p rights issue.

From 2001, the Group ran subsidiaries only in the UK, US, France and Italy. The Group had no net bank debt for three years from May 2002. From 2003 to 2005 Future made a number of small acquisitions, funded from its net cash position.

In December 2004, the Group announced an intention to double its size by 2008, and in June 2005 acquired a number of titles from Highbury House Communications plc, funded by bank debt. The financial results from this acquisition were disappointing and coincided with a period of reduced profits, largely driven by the games market transition.

In 2006, the Board conducted an extensive review of the business, scaled back the ambitious policy of rapid expansion, and appointed a new Chief Executive, Stevie Spring, who set out the Group's new strategy in the Annual Report 2006.

In 2007, the Group vigorously implemented its new strategy. We have sold or closed 51 weaker titles, and disposed of Future Italy and Future France. The Group is now concentrating on its six areas of strategic focus.

Business review
Corporate Responsibility

Managing Corporate Responsibility (CR) across the business

Future promotes high standards of social, ethical and environmental behaviour.

The Future plc Board takes regular account of CR issues. As part of its risk management process, the Board identifies and assesses the risks to the Company's short-term and long-term value arising from CR matters. Both executive Directors play a full part in ensuring responsible actions by all parts of the business. Stevie Spring, Chief Executive, is the Director accountable for CR.

Our Group-wide environment policy can be found in the investors section of our website at *www.futureplc.com.*

Future and the environment

Supplier audits
We carry out environmental and ethical audits on our main suppliers. Paper is by far the largest raw material for the Group. When we select paper suppliers we take account of their sourcing and production processes. In the selection of print suppliers we also consider environmental aspects, especially the processing of waste materials. We hold regular contract reviews to ensure that appointed printers have procedures in place to minimise waste at all stages of the production process.

Any potential new supplier is required to complete a pre-qualification audit during the selection process, the results of which will be taken into account when considering whether to appoint or reappoint that supplier.

Supplier payment policy
The Group does not follow an external code on payment practice, but it is our policy to pay all suppliers when their invoices become contractually due for payment. At 30 September 2007, the Group as a whole had 38 (2006: 38) days of purchases outstanding. The Company had no trade creditors at 30 September 2007.

Sourcing paper
In 2007, 100% of our paper across the Group was sourced from either managed or sustainable forests where at least one tree is planted for every tree felled, or from recycled fibre.

Future UK holds the FSC (Forest Stewardship Council) Chain of Custody certification. This recognises Future's commitment to sourcing paper supplies from sustainable forests. We also actively encourage our suppliers to work towards one of the internationally recognised and independently audited certification schemes for environmental care in forest management and conservation.

In the UK, 100% of the 23,105 tonnes of paper purchased during 2007 was derived from sustainable forests with 63% being FSC certified. In the US, 100% of the 12,483 tonnes purchased was either recycled or derived from sustainable forests.

Recycling and waste disposal
Unsold magazine copies represent a significant wasted resource. The Group is economically strongly incentivised to minimise unsold magazines and employs sophisticated techniques to help achieve this. The major part of unsold copies is suitable for recycling. More than 90% of Future's UK unsold magazines are recycled and used for newspaper production.

We comply with our obligations under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 in the UK. We ensure compliance with the equivalent regulations, where they apply, in the US.

We work with print suppliers on an ongoing basis to ensure the safe and clean disposal of toxic waste (especially inks) and the recycling of waste papers. The disposal of waste materials is included in our print supplier audit.

FTSE4Good Index Series

External assessment
Future has been independently assessed according to the FTSE4Good criteria and has satisfied the requirement to be a constituent of the FTSE4Good Index Series. FTSE4Good is a financial index series that is designed to identify and facilitate investment in companies that meet globally recognised Corporate Responsibility standards.

FSC

Future in the UK has received the FSC (Forest Stewardship Council) Chain of Custody certification. This recognises Future's commitment to sourcing paper supplies from sustainable forests.

Business review
Corporate Responsibility – continued

70%

More than 70% of our magazines that carry discs now package them in cardboard instead of plastic

Discs and plastic packaging

There is an ongoing programme to reduce packaging on the CDs and DVDs that are included with many of our magazines. More than 70% of our magazines that carry discs now package them in cardboard instead of plastic.

During 2007, Future UK started trialling a new format of disc, the manufacture of which uses 50% less plastic and 40% less energy compared to traditional discs. Initiatives were also introduced to encourage readers to recycle old or surplus magazine discs. Future UK also introduced bio-degradable plastic for packaging newstrade magazines and for those mailed to subscribers.

Future's Go Green office campaign

Future has an internal campaign aimed at improving awareness of recycling and energy saving in its UK offices. Driven by Future employees, the campaign encourages employees to use less and recycle more paper; recycle more cardboard, CDs and DVDs, toner cartridges, plastic, aluminium cans and glass bottles.

Consumption of resources

The table below estimates energy consumption caused by the Group's activities during the year ended 30 September 2007.

Future people

Data across the Group	2007	2006
Code of conduct circulated to all existing and new employees	**Yes**	Yes
Female employees as a percentage of workforce	**35%**	38%
Female managers as a percentage of management	**28%**	28%
Employment of young people under the age of 15	**None**	None
Consultation and communication procedures in place for all areas of the business	**Yes**	Yes
Earnings meet at least legal minimum or minimum set by the industry	**Yes**	Yes
Cases of reported and proven discrimination or harassment	**None**	None

Developing our people

Training needs are identified as part of each employee's annual performance appraisal. 96% of the workforce undertook an appraisal in 2007 (2006: 84%). Our goal is to achieve 100%.

In 2007 we ran skills training for our magazine publishing teams and central support departments. In-house training sessions provide training for editors on commissioning, libel, defamation and copyright as well as new software applications. We also provided online training, covering the key disciplines of online content development.

recycle
When you have finished with this magazine please recycle it.

In the UK we are members of the Periodical Publishers' Association (PPA) and support its initiative encouraging readers to recycle their magazines after use. Future incorporates the recycle logo in all our UK magazines. The PPA is working with The Department for Environment, Food and Rural Affairs to increase the collection and recycling of magazines after use by readers. The recycling target for 2007 was 50% – the PPA has reported that this target will be exceeded.

Country	Energy consumption CO_2* tonnes		Electricity MwH		Gas m^3		Water m^3	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
UK	**705**	663	**1,640**	1,541	**80,737**	88,859	**8,007**	10,458
US	**392**	561	**912**	1,305**	*****	***	**2,623**	1,220

* These figures represent the CO_2 equivalent of the electricity consumed during the year. Calculation based on conversion factor for the UK provided by The National Energy Foundation www.nef.org.uk.

** This figure is based on the electricity consumption in our largest US office and is assumed to be consumed in the smaller US offices in direct proportion to the number of employees in each.

*** Gas is supplied by the landlord and data is not available for these locations.

100%

of paper purchased during 2007 was derived from managed or sustainable forests or from recycled fibre

Internal communication

Future has policies on employee communication, acceptable use of IT policy, health and safety, whistle-blowing and our commitment to diversity and opportunity. We run free confidential employee helplines.

In addition, we hold annual or bi-annual company meetings for all employees. We also have an Employee Involvement Group, which allows employees to contribute to strategic-level decision making. Future's lively culture is echoed in our Company intranets and via our printed monthly internal magazine which celebrates team successes.

Health and safety

The health and safety of all employees is a key priority for the Group. Future is largely an office-based environment. All companies across the Group comply with relevant legislation and we communicate our health and safety policy to all employees.

During the year to 30 September 2007, there were no fatalities; four serious injuries in the UK; 12 minor injuries in the UK, none in the US.

Policy on disability

If an employee became disabled whilst in employment and as a result was unable to perform their duties, we would make every effort to offer suitable alternative employment and assistance with retraining.

Community involvement

Giving something back

Our charitable donation policy provides for a matched contribution scheme. Employees raise money for their chosen charity and Future matches this amount, subject to a reasonable limit and to qualification under the rules of the scheme. During the year, £22,000 was paid under the charitable match scheme (2006: £41,000).

As well as the charity matching scheme, Future makes local charitable donations in the cities where we have offices. The total amount of charitable donations made by the Group in the year was £27,000 (2006: £100,000).

In Bath, we run a Magazines for Charity Scheme where we make regular free deliveries of magazines to local medical surgeries, health centres, hospitals, schools and other community organisations.

In San Francisco, employees donated time to Habitat for Humanity, a low-income housing initiative. Other charities supported include AIDS Life Cycle and the Leukaemia Society.

Future in the wider community

Future people are actively involved with a number of national organisations including the Periodical Publishers' Association, European Federation of Magazine Publishers, Association of Online Publishers, European & Leisure Software Publishers Association, IPA Marketing Society and International Federation of the Periodical Press. We are also represented on The Bath Initiative, a public:private collaboration.

In addition, Future's Chief Executive chairs the Groundwork Federation, which incorporates 50 trusts in England, Wales and Northern Ireland and is the UK's largest organisation delivering community regeneration projects.

Political contributions are not made

In line with our Company policy, we do not make contributions to any political cause.

Ethics and human rights

Future supports the standards set out in the UN Global Compact on the Responsibilities of Business, and endorses the principle that no under-age, forced, or prison labour should be employed; that no-one is denied a job because of gender, ethnic origin, religion, affiliation or association, and that factories comply with laws protecting the environment. Our supplier audits include an ethical questionnaire. We work co-operatively with licensees and we do not participate in or support exploitative labour or other arrangements in any country.

Development of Corporate Responsibility policy and communicating our aims

We remain committed to communicating our progress openly. Our website *www.futureplc.com* includes more in-depth information on our policies and practices in this area.

01

02


Board of Directors

03

04


01
Roger Parry
Independent non-executive Chairman ❍
Age 54

Roger has been Chairman since September 2001, a non-executive Director since June 1999 and is Chairman of the Nomination committee. He is also non-executive Chairman of Johnston Press plc, Mobile Streams plc and the Shakespeare's Globe Trust. He is executive Chairman of Media Square plc and a non-executive Director of YouGov plc. His experience includes three years with McKinsey, the international consulting firm, a period as a journalist with BBC TV and radio and directorships at Aegis Group plc, WCRS plc, iTouch plc and More Group plc – later Clear Channel International – where for ten years he was Chief Executive then Chairman.

02
Stevie Spring
Chief Executive
Age 50

Stevie has been Chief Executive since July 2006. After graduating in law, Stevie worked in client marketing and breakfast television before starting a 16-year career in advertising agency management. From 2000 to 2006, she was UK Chief Executive of Clear Channel, the world's largest out-of-home media company. Stevie also chairs the Groundwork Federation – the UK's largest organisation delivering community regeneration projects – and is a trustee of Arts & Business. She is a Fellow of both the Institute of Practitioners in Advertising and of the Marketing Society and is one of only four honorary members of the Women's Advertising Club.

03
John Bowman
Group Finance Director
Age 51

John has been Group Finance Director since November 2001. He qualified as a chartered accountant with KPMG, where he worked for seven years before joining Radio Clyde. He became Group Finance Director at Scottish Radio Holdings plc (now part of Emap) and played a key role in the group's successful expansion by organic growth and acquisition. His media experience includes commercial radio, outdoor advertising, film, newspaper and magazine publishing.

04
Michael Penington
Senior independent non-executive ❍ ● ✪
Age 49

Michael has been senior independent non-executive Director since 2002 and a Director since April 2000. His experience includes 16 years at US investment bank Morgan Stanley, latterly as an Executive Director, Corporate Finance Department. He holds a D.Phil. from Oxford University. He is currently a Director of a number of small private companies in the UK, with an emphasis on applications of new technology.

05
Patrick Taylor
Independent non-executive ❍ ● ✪
Age 59

Patrick has been Chairman of the Audit committee since April 2001, and a Director since the same date. He qualified as a chartered accountant with Coopers & Lybrand (now part of PwC) where he became a partner in 1980, specialising in corporate finance. He was Finance Director of Capital Radio plc from 1989 to 1996 and subsequently Finance Director, then Chief Executive, of GWR Group plc, owner of the UK's largest commercial radio station, Classic fm. He left GWR in 2003 and is currently Chairman of a private company, Nonstop Adventure Limited.

06
John Mellon
Independent non-executive ● ✪
Age 66

John has been Chairman of the Remuneration committee since January 2005 and a Director since March 2003. He has extensive experience of both consumer and business publications, notably with IPC Magazines, where he became Chairman, and later Reed Business Information. He was a member of the executive committee of Reed Elsevier from 1995 to 1999. In 1994 the Periodical Publishers' Association awarded him the Marcus Morris award, the highest accolade in UK magazine publishing. He retired in 1999 and subsequently took up writing.

07
Seb Bishop
Independent non-executive
Age 33

Seb joined Future as an independent non-executive Director in June 2007. He has extensive internet and Anglo-American business experience, notably as co-founder of Espotting Media in 2000 which pioneered search marketing and pay-per-click advertising in Europe. In 2004 he oversaw the merger of Espotting Media and FindWhat.com. He is currently President of MIVA, the NASDAQ-listed global online advertising network. He is also Chairman of Steak Media Limited, one of the UK's fastest-growing search engine marketing agencies and sits on the board of Adjug Limited, the online advertising marketplace.

08
Mark Millar
Company Secretary and Head of Legal ⊗
Age 38

Mark has been Company Secretary and Head of Legal since September 2002. He also acts as secretary to all Board committees. Having qualified as a solicitor in London, his subsequent legal experience includes a period with Allen & Overy, one of the leading international law firms. He has more than a decade's experience of City legal work, including a wide range of UK and international commercial and corporate finance experience.

❍ Member of the Nomination committee

● Member of the Remuneration committee

✪ Member of the Audit committee

⊗ Company Secretary

Directors' report
for the year ended 30 September 2007

Principal activity
The Group's principal activity is the publishing of special-interest consumer magazines and websites, notably in the areas of games, music & movies, technology and active sectors.

The Company has operating companies in the UK and US. It disposed of its Italian and French subsidiaries during the year, details of which are set out in note 11 to the financial statements on pages 69 to 71.

Business review
Reviews of the Group's activities during the year, the position at the year-end, post balance sheet events and likely future developments are set out in the Chairman's statement, Chief Executive's review the financial review and the Corporate Governance report.

A review of the development and performance of the business of the Group, including the financial performance during the year, the position at the year-end and post balance sheet events, key performance indicators and a description of the principal risks and uncertainties facing the Group, are set out in the business review on pages 4 to 27.

The purpose of the Annual Report is to provide information to the shareholders of the Company. The Annual Report contains certain forward looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update those forward looking statements.

Result of 2007 Annual General Meeting
All resolutions put to the Annual General Meeting held on 30 January 2007 were duly passed, with more than 78% of all issued shares having been voted. Of these, more than 70% were cast in favour of all resolutions including more than 99% in favour of all special resolutions. The AGM authorised the Company to pay a final dividend of 0.5p per Ordinary share on 31 January 2007 to those shareholders on the register on 29 December 2006, bringing total dividends relating to 2006 to 1p per Ordinary share.

Reported financial results
The audited financial statements for the year ended 30 September 2007 are set out on pages 54 to 84. Details of the Group's results are set out in the consolidated income statement on page 54 and in the notes to the financial statements on pages 59 to 84.

Dividends
The Board's policy on dividends and recommendation for a final dividend is set out on page 16 of the business review.

Share capital
Details of all movements in share capital are given in note 24 on page 78. As at 30 September 2007, the number of Ordinary shares in issue was 326.6 million. This represents a small increase of 0.03% compared with the number of Ordinary shares in issue as at 30 September 2006. All of the new shares were issued in satisfaction of employee share option exercises during the year. No shares were issued in relation to any of the acquisitions made by the Group during the last five years.

The Company was granted authority, at the Annual General Meeting held on 30 January 2007, to purchase up to 32,600,000 of its own Ordinary shares, representing just under 10% of the issued Ordinary share capital of the Company as at 29 November 2006, the date the notice was prepared. The Company has not purchased any of its Ordinary shares and the authority will expire following the end of the Company's Annual General Meeting to be held on 29 January 2008, at which a resolution to renew such authority is proposed.

Significant shareholdings
At 28 November 2007, the Company had been notified of the following significant interests in its Ordinary shares:

Shareholder	Number of shares	Percentage of issued share capital
Schroders Investment Management	51,975,934	15.91%
Fidelity International Limited	38,449,141	11.77%
Franklin Resources Inc	38,235,477	11.71%
Investec Asset Management	28,710,000	8.79%
Artemis Investment Management	23,761,038	7.28%
Aberforth Partners Limited	17,100,300	5.24%
Legal & General Investment Management	13,566,176	4.15%
Barclays plc	11,135,069	3.41%
Aviva plc/Morley Fund Management	10,685,277	3.27%
	233,618,412	71.53%
Directors' holdings (see opposite)	1,865,569	0.57%
Total of significant holdings	235,483,981	72.10%
Others	91,113,279	27.90%
Total number of shares in issue	326,597,260	100%

Directors
The names and biographical details of the Directors holding office as at 30 September 2007 are set out on pages 28 and 29. During the year Seb Bishop was appointed as an independent non-executive Director.

Directors' shareholdings in the Company's Ordinary share capital are set out below. The Company's Register of Directors' Interests in Shares, which contains full details of Directors' shareholdings and options to subscribe for shares, is held and is available for inspection at the Company's registered office. No Director has any interest in any other share capital of the Company or any Group Company, nor does any Director have a material interest in any contract of significance to the Group.

Corporate Governance
The Board supports best practice in corporate governance. The Board's report on this subject, which includes the Directors' statement of responsibilities for the preparation of the accounts, is set out on pages 34 to 40.

Corporate Responsibility
The Board considers issues of corporate responsibility as important. The Board's report on this subject forms part of the business review on pages 25 to 27.

Annual General Meeting 2008
At the Company's ninth Annual General Meeting, which will be held on Tuesday 29 January 2008 at 12 noon at Quay House, The Ambury, Bath BA1 1UA, a number of resolutions will be proposed. The resolutions are set out in the Notice of Annual General Meeting on pages 88 to 89 and an explanation of all proposed resolutions is provided below.

Resolutions numbered 1 to 13 will be proposed as ordinary resolutions, and the resolutions numbered 14 to 16 will be proposed as special resolutions.

Ordinary resolution 1 – Financial statements
Shareholders will be asked to approve the financial statements of the Company for the financial year ended 30 September 2007, together with the reports of the Directors and auditors. The audited financial statements appear on pages 54 to 84.

Ordinary resolution 2 – Directors' remuneration report
Shareholders will be asked to approve the Directors' remuneration report for the financial year ended 30 September 2007, which is set out on pages 41 to 50.

Ordinary resolution 3 – Proposed final dividend
The Directors propose a final dividend of 0.6 pence per Ordinary share to be paid on 30 January 2008 to those Ordinary shareholders on the register at close of business on 4 January 2008. The Board's policy on dividend payments is set out on page 16.

Directors' shareholdings

	Balance as at 30 September 2006	Purchases during the year	Sales during the year	**Balance as at 30 September 2007**
Directors in office at 30 September 2007				
Executive				
S Spring	25,000	138,378[4]	–	**163,378**
J Bowman	633,900	55,701[4]	–	**689,601**
Non-executive				
R Parry	516,590	–	–	**516,590**
M Penington	291,000	–	–	**291,000**
P Taylor	150,000	–	–	**150,000**
J Mellon	55,000	–	–	**55,000**
S Bishop	–	–	–	**–**
Total	**1,671,490**	**194,079**	–	**1,865,569**

Notes:
1. All holdings are beneficial.
2. There have been no changes to the beneficial or non-beneficial interests of any of the current Directors of the Company from 30 September 2007 to 28 November 2007, being the latest practicable date prior to publication of this document.
3. Details of the share options of each of the Directors of the Company are set out on page 48.
4. Shares were transferred to Stevie Spring and John Bowman on 12 February 2007 following the vesting of one third of the Restricted Share Award granted to each of them during 2006. Details of the Restricted Share Awards are set out on pages 44 to 48 in the Directors' remuneration report.

Directors' report – continued
for the year ended 30 September 2007

Ordinary resolutions 4 to 10 – Election of Seb Bishop and annual re-election of other Directors

Following his initial appointment to the Board on 14 June 2007, Seb Bishop now stands for election to confirm his appointment. Consistent with the policy adopted by the Board in recent years that all serving Directors retire and stand for re-election at each Annual General Meeting of the Company, all other Directors are proposed for re-election. Biographical details in respect of all Directors are set out at pages 28 and 29. Following rigorous performance evaluation and taking into account the need for progressive refreshing of the Board, the Board confirms that the performance of each executive and non-executive Director of the Company continues to be effective and to demonstrate commitment to the role. The Nomination committee has carefully considered the time commitments required from and the contribution made by each Director and both the Nomination committee and the Board unanimously recommends that each Director be re-elected.

Ordinary resolutions 11 & 12 – Auditors

A resolution proposing the reappointment of PricewaterhouseCoopers LLP as auditors of the Company and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting. An explanation regarding the Board's proposal to reappoint PricewaterhouseCoopers LLP as auditors can be found at page 40 of the Corporate Governance report.

Ordinary resolution 13 – To authorise the Directors to issue and allot new Ordinary shares

Under the provisions of section 80 of the Companies Act 1985, the Directors may allot and issue Ordinary shares only if authorised to do so by the Company's Articles of Association or by shareholders at a Shareholders' Meeting. Consistent with the previous practice of the Company, authority is being sought to allot Ordinary shares having an aggregate nominal value of up to £1,077,000 such authority to expire following the conclusion of the Company's next Annual General Meeting (unless previously revoked or varied by the Company in General Meeting) save that the Company would, before expiry of this authority, be able to make an offer or agreement which would or might require relevant securities to be allotted after its expiry and the Directors would be able to allot relevant securities pursuant to such an offer or agreement as if the authority, if conferred, had not expired. This is equivalent to just under 33% of the issued Ordinary share capital of the Company as at 28 November 2007. If granted, this authority would replace all previous authorities granted in this connection.

The Directors do not have any present intention of exercising this authority other than in connection with any exercises under share option and other share incentive schemes, but intend to seek this authority each year. In addition, there may be circumstances where it would be appropriate for the Company to issue new Ordinary shares, such as an acquisition where it might be appropriate for the consideration to be settled in whole, or in part, by the issue of new Ordinary shares. The Company does not hold any shares in treasury.

Special resolution 14 – Authority for the Company to use electronic communications

Resolution 14 is a special business resolution which will be proposed to enable the Company to use electronic communications and in particular to send or supply any document or information to members by making them available on a website to members who do not elect to receive them in hard copy or electronically.

This resolution will extend the powers currently set out in the Company's Articles of Association relating to communication with shareholders, by taking advantage (if it decides to do so) of provisions in the Companies Act 2006. It will allow the Company to use website communication as the default position without sending documents to the shareholder.
The Company will be able to ask shareholders for their consent to receive communications from the Company via its website, or to elect to receive communications either electronically or in hard copy. If the shareholder has not responded within 28 days of a request by the Company, the Company may take that as consent to receive communications via its website. Where a shareholder receives communications via the Company's website, he or she will be sent a letter (or, where the shareholder has agreed to this, an email) notifying them of the documents on the website and of the right to receive a hard copy of the documents free of charge.

The Company expects to save printing and postage costs if it decides to use the powers granted by this resolution.

Special resolution 15 – Disapplication of statutory pre-emption rights

Resolution 13 will be proposed to renew the Directors' existing authority to allot new Ordinary shares for cash other than pro rata to existing shareholdings. Section 89 of the Companies Act 1985 requires that equity securities issued for cash must first be offered to the Company's existing holders of securities in proportion to their existing rights.

Consistent with the previous practice of the Company, the authority now sought would permit the allotment of Ordinary shares up to the amount covered by Resolution 13 in connection with a rights issue (or other pro rata Ordinary share issue) and otherwise up to an aggregate nominal amount not exceeding £163,000, equivalent to just under 5% of the Company's issued Ordinary share capital as at 28 November 2007, such authority to expire following the conclusion of the Company's next Annual General Meeting save that the Company would, before the expiry of the power conferred, be able to make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors would be able to allot equity securities pursuant to such an offer or agreement as if the power, if conferred, had not expired. If granted, this authority would replace all previous authorities existing in this connection. The Board intends to renew this authority each year.

The Board does not currently intend to issue more than 7.5% of the Ordinary issued share capital of the Company in any rolling three-year period without prior consultation with the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Special resolution 16 – Purchase of own shares
Resolution 16 is proposed to renew the Company's authority to make market purchases of its own Ordinary shares. The maximum number of Ordinary shares that may be purchased will be 32,658,000 representing just under 10% of the issued Ordinary share capital of the Company as at 28 November 2007.

The minimum price payable for shares will be the nominal value of one penny per Ordinary share and the maximum price will not be more than the higher of 5% above the average of the middle-market quotation of the Company's Ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary shares are purchased and that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority, if granted, would expire following the conclusion of the Company's next Annual General Meeting save that the Company would, before expiry of the power conferred, be able to make a contract to purchase shares which may be executed wholly or partly after its expiry, as if the power, if conferred, had not expired. The Board intends to seek this authority each year. If approved, the power would be used only where it was demonstrably in shareholders' interests, such as by improving adjusted earnings per share.

Whilst the Board has no current intention to use the power proposed, it considers that it is desirable to have this authority each year, as there could be circumstances in which the purchase by the Company of its own shares would be in the best interests of the Company and its shareholders generally. The Companies Act permits certain listed companies to hold shares in treasury as an alternative to cancelling them, following a purchase of own shares by the Company. Shares held in treasury may subsequently be cancelled or sold for cash, or used to satisfy employee share option or other awards under the Company's share option or long-term incentive schemes. Once held in treasury, a company is not entitled to exercise any rights, including the right to attend and vote at Company Meetings in respect of the shares and no dividend or distribution of the Company's assets may be made to the Company in respect of shares held in treasury. If the Directors exercise the authority conferred by special resolution 16, they will consider holding those shares in treasury rather than cancelling them.

The total number of options to subscribe for Ordinary shares that were outstanding at 28 November 2007 (being the latest practicable date prior to publication of this document) was 8,819,297. The proportion of issued share capital that they represented at that time was 2.70% and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 2.92%.

Action to be taken
A form of proxy is included with this Annual Report for use in connection with the Annual General Meeting. Please complete and return the form in accordance with the instructions printed on it to Equiniti, Aspect House, Lancing, West Sussex BN99 6ZX as soon as possible and, in any event, no later than 12 noon on Friday 25 January 2008. The return of the form of proxy will not prevent you from attending the Annual General Meeting and voting in person if you wish to do so.

Recommendations
The Board believes that each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of all of the resolutions proposed, as they intend to do in respect of their own beneficial holdings.

Annual General Meeting procedures
Following best practice and as in previous years, the Company will, after voting has taken place at the 2008 Annual General Meeting, indicate the level of proxies lodged on each resolution together with the balance for and against each resolution and the number of abstentions. The Company will also, after the conclusion of the Meeting, announce the results of the voting to the London Stock Exchange. We will also notify all shareholders by posting the results on our corporate website, *www.futureplc.com*. A summary of the votes cast at the Meeting will also be available on the website.

Disclosures in the Directors' report
The Corporate Governance report, corporate responsibility section of the business review and the explanation of the AGM business all form part of the Directors' report.

Approved by the Board of Directors and signed on its behalf by:

Mark Millar
Company Secretary and Head of Legal, Future plc
28 November 2007

Corporate Governance report

The following sections of this report deal with Future's corporate governance and how the Company complies with the requirements of the UK's Companies Act and the Combined Code on Corporate Governance.

Best practice and corporate governance

The listing rules of the UK Listing Authority of the FSA require UK-listed companies to report on their governance practices and on the extent to which they comply with the provisions set out in the Combined Code on Corporate Governance.

Future is committed to the principles of corporate governance contained in the Combined Code which are embedded at the heart of Board processes and continues to support best practice in corporate governance. The Company has complied throughout the financial year with the provisions of the Combined Code at all times seeking to conduct its business in accordance with best practice.

The Board

Composition of the Board

Principle A.1 of the Combined Code states that: "Every company should be headed by an effective board, which is collectively responsible for the success of the company."

The composition of the Board, and its committees, is fully compliant with the provisions of the Combined Code.

The Board comprises two executive Directors (Stevie Spring, Chief Executive and John Bowman, Group Finance Director), a non-executive Chairman (Roger Parry), a senior independent non-executive Director (Michael Penington), and three other independent non-executive Directors (Patrick Taylor, John Mellon and Seb Bishop – appointed during the year).

Further details of the Board's composition and the Company's assessment of the independence of its Directors are set out in the table below. Biographies of the Directors and details of their other commitments are set out on pages 28 and 29.

Principle A.3 of the Combined Code states that: "The board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking."

There is a strong presence of both executive and non-executive Directors on the Board, and its size and composition ensures that no individual or group of Directors dominates the Board's decisions or has undue influence over the Board. The size and composition of the Board is appropriate to the business currently, although this is monitored on an ongoing basis through a Board performance evaluation process and by the Nomination committee.

All of the Directors contribute to Board discussions with valuable expertise and experience. The Board has a balance of executive and non-executive Directors who bring a blend of experience and industry knowledge to Board deliberations and decisions. During the year the Board was strengthened by the appointment of Seb Bishop as non-executive Director, bringing additional online experience. Board chemistry is strong, giving rise to open and focused discussions. Non-executive Directors challenge management proposals where appropriate and carefully monitor management performance and reporting throughout the year.

The non-executive Directors bring strong, independent judgement to the Board's deliberations; and contribute particularly by challenging constructively the Company's strategy and performance, management's assessment of risk, the integrity of internal controls and by ensuring appropriate remuneration and succession planning arrangements are in place. All non-executive Directors serve three year terms, terminable by either party on three months' notice and subject to their annual re-election or removal by shareholders. No Director has served for nine years.

The Board conducted a review of the independent status of each non-executive Director during the year and carefully considered the factors that, under the provisions of the Combined Code, could affect independence. No such issues having arisen, the Board has concluded that all of the non-executive Directors are independent for the purposes of the Combined Code.

Name	Position	No. of years on Board	Independent (as determined by the Board)	Audit committee	Nomination committee	Remuneration committee
Roger Parry	Chairman	8	√	X	√*	X
Stevie Spring	Chief Executive	1	X	X	X	X
John Bowman	Group Finance Director	6	X	X	X	X
Michael Penington	Senior independent non-executive Director	7	√	√	√	√
Patrick Taylor	Non-executive Director	6	√	√*	√	√
John Mellon	Non-executive Director	4	√	√	X	√*
Seb Bishop	Non-executive Director	0	√	X	X	X

* Indicates the relevant Director chairs a committee.

The non-executive Directors led by Michael Penington conducted a review of the performance and independent status of the Chairman and concluded that he continues to be independent and add value to the Board discussions.

Board responsibilities and process
Principle A.2 of the Combined Code states that: "There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for running the company's business. No one individual should have unfettered powers of decision."

The roles of the Chairman and Chief Executive are clearly defined and the division of their duties and responsibilities, as reviewed and approved annually by the Board, is clearly set out in writing.

Amongst other things, the Chairman is responsible for: leading the Board; ensuring Board members receive accurate and timely information; ensuring that there is good communication between Board members and constructive Board discussions; challenging management proposals where necessary; ensuring the performance of the Board as a whole and effective communication with shareholders.

The Chief Executive is responsible for: the day-to-day running of the Group's business across the Group's operational territories, developing strategic aims and objectives for full Board discussion; monitoring the performance of the business and reporting timely and accurate information to the Board; ensuring the Company has the necessary human and financial resources to achieve the aims and objectives of the business; identifying main areas of risk, providing an effective framework of controls and reporting on them to the Board; ensuring compliance with best practice in corporate governance; and ensuring an effective dialogue with shareholders.

With regard to succession planning the Board regularly meets with senior management in the Group's business and it is the Company's policy to develop and promote talented individuals within the Group.

In accordance with the provisions of the Combined Code a Schedule of Matters Reserved for the Board sets out those matters that require Board approval and the Board has conducted its annual review of the Schedule as well as the terms of reference for each committee. These are available to view on the Company's website at *www.futureplc.com*.

All Directors and Board members have access to the advice and services of the Company Secretary, who is a qualified solicitor, and can advise them regarding issues of governance and best practice as well as legislative and regulatory changes. The Directors may also take independent professional advice at the Company's expense, if considered necessary. No such advice was sought during 2007.

The Board reviews and monitors its advisers on an ongoing basis. In addition to using its nominated advisers, shown on page 91, the Company makes considered use of a number of alternative advisers carefully selected for their expertise in relevant fields.

Meetings
The Board met seven times in the year. Details of attendance by individual Directors at Board and committee meetings is set out in the table below. The Board continues to hold private dinners during the evening before most Board meetings to allow informal discussion about business topics and meet with senior management before the following day's Board meeting. In accordance with the Combined Code, the Chairman regularly meets with non-executive Directors, without executive Directors present.

In addition to the regular and scheduled Board and committee meetings, Directors are readily available to hold meetings via telephone conference call in order to discuss matters that need to be addressed urgently. Non-executive Directors have access to senior management outside of scheduled Board meetings.

Principle A.5 of the Combined Code states that: "The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties."

Meetings

Name	Attendance at Board meetings (7 meetings in 2007)	Attendance at Audit committee meetings[1] (3 meetings in 2007)	Attendance at Remuneration committee meetings[1] (3 meetings in 2007)	Attendance at Nomination committee meetings[1] (3 meetings in 2007)
Stevie Spring	7	3*	3*	–
John Bowman	7	3*	3*	–
Roger Parry	7	1*	2*	3
Michael Penington	7	3	3	3
Patrick Taylor	7	3	3	3
John Mellon	7	2[2]	3	–
Seb Bishop	2[3]	–	–	–

Notes:

1. * Denotes in attendance in part by invitation.
2. Mr Mellon was unable to attend the routine July audit planning meeting but received the pack of committee papers, gave his views to the Chairman ahead of the meeting and received minutes of the meeting.
3. Mr Bishop attended all Board meetings in the year following his appointment.

Corporate Governance report – continued

All Directors are provided in advance of meetings with written packs containing papers for decision, papers for discussion and others for information. These packs are circulated usually one week in advance of Board meetings to allow proper time for consideration of items on the agenda and the information provided. The same process of issuing packs of papers and information applies to all committee meetings. Minutes of previous meetings are included in the packs for the subsequent meeting, for approval.

At least once a year, Board members attend a strategy session during which all aspects of the Group's business and strategy are discussed. Progress in implementing the agreed strategy is kept under regular review at Board meetings.

The Directors also receive a monthly Board report written by the executive Directors which summarises financial and operational performance and provides updates on key programmes within the Group's business.

The time commitments expected for non-executive Directors are between ten and 15 days per year, and both executive Directors are full time.

Information and Directors' induction training

Principle A.5 of the Combined Code states that: "All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge."

The Board's training and development policy requires that all new Directors should receive appropriate induction on joining the Board, including in respect of the Group's activities as a whole and of each operating company individually. Following his appointment, Seb Bishop received an induction into the Company's business, in a series of specifically tailored sessions.

Ongoing training for Directors is available as appropriate. The training and development needs of each individual Director are assessed and discussed during individual performance evaluation meetings with the Chairman and Company Secretary as part of the Annual Board Performance Evaluation. The Board encourages appropriate training and provides regular updates and refresher sessions by the Company's legal advisers and auditors, to inform the Board or relevant committees of important changes in legislation, regulation and best practice. During the past 12 months, the Directors have in particular received training on various aspects of the Companies Act 2006, and other relevant new legislation.

Board performance evaluation

Principle A.6 of the Combined Code states that: "The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors."

Each Director completed a Board Performance Evaluation Questionnaire as part of the annual performance evaluation process, which included reviewing: the constitution of the Board; its strengths and weaknesses; the manner of conducting and preparing for meetings; the performance of the Board as a whole; the performance of individual Directors and of each committee's development and delivery of strategy. Each questionnaire was analysed and the Chairman and Company Secretary met with each Director individually to discuss responses to the questionnaires and their individual performance during the year and any specific requirements for training and development. Summaries of the results were prepared by the Company Secretary and presented to the Board for discussion.

The evaluation process continues to be well received by members of the Board and has been effective in focusing the Board's attention on good governance and best practice, as well as highlighting the Board's significant strengths and prompting discussion on any weaknesses. The questionnaire assisted with measurement of progress made during the year in the Board's performance.

The Chairman also met with non-executive Directors during the year without the presence of the executive Directors, in order to assess the performance of the executive Directors.

Michael Penington, senior independent Director, led a meeting of the non-executive Directors without the Chairman being present in order to assess the Chairman's performance. Roger Parry has served as a non-executive Director of the Company since 1999 and as Chairman since 2001. Following the review of his performance, the Board continues to view Roger Parry as a strong Chairman who makes an important contribution to the Board, leading the Board effectively, and encouraging open and constructive discussions.

Appointment and re-election of Directors

Principle A.4 of the Combined Code states that: "There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board."

The Nomination committee leads the process for Board appointments and makes recommendations to the Board. Following discussions regarding the balance of skills and experience of the Board, bearing in mind in particular the Company's stated strategy for online development, the committee recommended the appointment of an additional non-executive Director with relevant online experience to join and enhance the existing Board. To ensure the appointment of an appropriate non-executive Director, the Nomination committee considered and interviewed a number of candidates, selected Seb Bishop for further meetings and discussions with the Board and negotiated the terms of his appointment.

Principle A.7 of the Combined Code states that: "All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The board should ensure planned and progressive refreshing of the board."

In accordance with the Combined Code and the Company's policy on Directors' retirement and rotation and what it considers best practice in corporate governance, every Director retires and stands for re-election at each Annual General Meeting of the Company. Therefore, once again at the 2008 AGM, each Director will retire from office and stand for re-election. The Company's Articles of Association require only that no Director should serve for more than three years without retiring and standing for re-election.

Following discussion of the skills and contribution of each Director, the Nomination Committee supports the proposed re-election of all of the Directors at the Company's forthcoming 2008 Annual General Meeting. In line with best practice, each Committee member was excluded from approving their own proposal for re-election.

Committees

In line with best practice the Board has three permanent committees. These are the Audit, Remuneration and Nomination committees, each of which has formally delegated duties and responsibilities. Terms of Reference for all three committees, which are set by the Board and reviewed annually, are available on the Company's website *www.futureplc.com* and will be available for inspection at the registered office of the Company as set out in note 3 to the Notice of AGM on page 89. The composition of each of these Committees complies fully with the provisions of the Combined Code.

The table on page 35 sets out the frequency and levels of attendance of Directors at the Board and committee meetings during the last year.

Sub-committees

The Board regularly appoints a sub-committee consisting of at least two Directors in order to finalise and approve those matters that have been approved in principle by the Board, subject to final amendments only.

A permanent sub-committee consisting of at least two Directors exists to approve the issue and allotment of new shares in satisfaction of employee share schemes.

Remuneration committee

The Remuneration committee comprises John Mellon (Chairman of the committee), Patrick Taylor and Michael Penington. All members of the Remuneration committee are independent in accordance with the criteria set out in section A.3.1 of the Combined Code and the composition of the committee is fully compliant with the Code provisions.

The committee determines the remuneration packages of executive Directors, including performance-related awards and share-based incentives, and sets individual bonus targets for executive Directors and performance criteria attached to share-based incentives. The committee also determines the remuneration of the Chairman, manages and recommends remuneration levels for senior management in line with both industry remuneration packages and the Company's remuneration policy, and considers and approves any new share-based incentive scheme proposed to be implemented. The Directors' remuneration report is set out on pages 41 to 50.

Nomination committee

The Nomination committee comprises Roger Parry (Chairman of the committee), Michael Penington and Patrick Taylor. Each committee member is independent in accordance with the criteria set out at section A.3.1 of the Combined Code and the composition of the committee is fully compliant with the Code provisions.

Among the responsibilities of the committee are: ordered succession planning; evaluating the structure and size of the Board as a whole, which includes reviewing the time required from a non-executive Director in order that he or she may satisfy their role; considering Board appointments. The committee is also responsible for making recommendations to the Board with regard to training and development needs, and for any changes to the structure or composition of the Board that it considers may be desirable.

During the year the Nomination committee was actively involved in all of the issues listed above, leading to the recruitment of Seb Bishop as a non-executive Director.

Audit committee

The Audit committee comprises Patrick Taylor (Chairman of the committee, who has recent and relevant financial experience), John Mellon and Michael Penington. The Board considers that all members are independent and that collectively the members have the required skills and attributes to discharge its responsibilities. The composition of the committee is fully compliant with the Code provisions.

The external auditors attend most meetings and the Chief Executive, Finance Director and other members of the senior financial management team attend by invitation. The Audit committee meets with the auditors without the presence of executive Directors at least annually.

The committee met three times in 2007 with the Chief Executive, Group Finance Director, other officers and the auditors attending parts of the meeting as and when invited by the Chairman of the committee. The attendance of the members of the Audit committee is set out in the table at page 35. The committee reports its activities and makes recommendations to the Board. During 2007 the committee discharged the responsibilities set out in its formal terms of reference which are available to view and download on the Company's website at *www.futureplc.com*, which include:

- formally reviewing the draft Annual Report and interim statement, respectively, and associated announcements;
- reviewing the findings of the external auditors;
- reviewing the external audit strategy and the external auditors' report to the committee in respect of the Annual Report and interim statement;
- reviewing the processes for financial reporting, risk management and internal controls;
- considering the Directors' duties regarding disclosure of information to the Company's auditors; and
- reviewing the effectiveness and independence of the external auditors.

The committee may engage, at the Company's expense, independent advisers as it deems necessary to carry out its duties. None was engaged during the year.

Accountability and audit

Directors' statement of responsibility

Principle C.1 of the Combined Code states that: "The board should present a balanced and understandable assessment of the company's position and prospects."

The Directors are required by the Companies Act to prepare financial statements for each financial year and to ensure that the Directors' report and the consolidated financial statements for the Company and the Group are prepared in accordance with applicable laws and regulations and give a true and fair view of the state of affairs of the Group as at the end of the financial year, and of the profit and cash flows for the Company and the Group for the period.

The Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for the keeping of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for the safeguarding of the assets of the Company and of the Group, and for the taking of reasonable steps to prevent and detect fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company has complied with UK disclosure requirements in this Report in order to present a true and fair view to all shareholders.

Disclosure of information to the auditors

The Directors confirm that they have complied with the relevant provisions of the Companies Act in preparing the financial statements. In addition, each of the Directors confirms that, so far as they are aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken all reasonable steps to ensure that they are aware of any relevant audit information and that the auditors are aware of any relevant audit information.

Internal controls

Principle C.2 of the Combined Code states that: "The board should maintain a sound system of internal controls to safeguard shareholders' investment and the company's assets."

Principle C.3 of the Combined Code states that: "The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors."

The Directors acknowledge their responsibility for the Company's system of internal controls and in accordance with the Guidance on Internal Control (the Turnbull Guidance) contained in the Combined Code, confirm that they have reviewed its effectiveness. The Board has delegated the responsibility for reviewing the Group's internal control systems to the Audit committee in its formal terms of reference which are available to view on the Company's website at *www.futureplc.com*.

The Company's control structure is designed to identify and manage, rather than eliminate, the Group's key business risks and includes a number of important controls, including financial, operational and compliance controls as well as formal risk management assessments, that are centred at Group level (and include the central Group Finance and Group Legal functions) and flow to subsidiary board level. There is a clear organisational and reporting structure across the Group, and the two executive Directors are appointed to the boards of all operating subsidiaries.

The Group uses a system of Network Control Documents to roll out Group policies across the operating subsidiaries. The Schedule of Matters Reserved for the Board of the Company is one of these Network Control Documents and includes decisions regarding issues relating, amongst others, to:

- Key Group strategy and management (to include the Group's budgets)
- Group structure and capital
- Financial reporting and communication (to include interim and annual results, and shareholder circulars)
- Internal controls
- Acquisitions and disposals of trading companies, or websites or other assets or magazines of significant value
- Major investments of financial commitments, including magazine or internet launches likely to incur significant expenditure or net loss in the first year
- Board membership and other key appointments
- Remuneration matters
- Corporate governance issues
- Group policies

During the year, the Board considered more than half of the matters listed as being reserved for decision by the Board.

There is careful assessment and review of financial risks and performance by the Group Finance team, and of legal and compliance risks by the Group Legal team, as well as by the Audit committee.

The Board is provided each month with a timely written report on trading and other business issues, accompanied by financial information analysing the previous month's trading and key performance indicators. Management accounts are reviewed monthly against both prior year and budget. All Directors are kept aware of business developments and trends as they occur. These reports are subsequently discussed at formal Board meetings.

Executive Directors meet weekly and discuss key business matters, and are available to discuss any matters with non-executive Directors at all times outside of scheduled Board meetings. They pay close attention to operational matters, all areas of business development, and also to all foreseeable business development, that requires approval by the full Board or any committee.

As set out in the business review on pages 25 to 27, the Board is continuing to develop and implement a Group-wide CR policy, which it is believed will help to minimise or manage risks and any other adverse impacts that the Group's activities may have, including in respect of environmental, social or ethical issues.

As part of its internal controls, the Group has a whistle-blowing policy to encourage employees to report, in good faith, any genuine suspicions of fraud or malpractice in order to identify any problems within the Group at an early stage. The policy is also designed to ensure that any employee who raises a genuine concern is protected.

Business review meetings are held monthly by the executive team with both country managing directors in order to provide a proper opportunity for financial results and other business and operational issues and opportunities to be explored and addressed, increasingly on a joint basis, to review business and legal matters. These meetings take place in all major cities in which the Group has a strong presence.

Overseas subsidiary managing directors present to the full Board annually and, commencing this year, the Board held one meeting in the US, reflecting the importance of the US business to the Group.

Intellectual property is the Group's key asset, and the Board is strongly aware that one of the greatest risks relates to intellectual property infringement and libel claims. Some of the ways in which the Company minimises these risks, which includes the rights management system that exists in the UK, are set out in the business review on pages 14 to 27.

In addition to all material contracts requiring Board approval, the Audit committee is provided with a list of all significant contracts within the Group, including key terms of business with major suppliers or customers and a review of key financial and non-financial risks and how the Group seeks to minimise them.

Ensuring that the Group employs and retains management of suitable experience and calibre is critical to both achievement of commercial success and management of business risk; senior management in each business is continually assessed and reviewed.

As in the previous year, the Audit committee and the Board have again during 2007 reconsidered whether there is a need for an internal audit function. It was concluded that at present an independent internal audit department with the necessary technical skills is not currently justified, but recognises that the committee should continue to review this subject each year.

Results of the Board's annual review of internal controls

The Board has conducted its annual review for 2007 of the effectiveness of its system of internal controls and has concluded that significant assurance can be drawn from the existing systems and that the Board ensures that the Group allocates sufficient time and resources to manage the business risks faced by the Group. The Board therefore complies fully with the provisions of the Combined Code.

Going concern basis adopted in preparing financial statements

The Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Corporate Governance report – continued

Auditors' responsibilities

Auditors' responsibilities in relation to the financial statements and other sections of this report are included in the independent auditors' report to the members of the Company on pages 51 and 52.

Auditors' fees

The Audit committee has reviewed the remuneration received by PricewaterhouseCoopers LLP for non-audit work conducted during the financial year. The fees for non-audit work did not exceed the audit fee, and related mainly to taxation and due diligence services. For further details regarding fees paid, see note 4 to the financial statements on page 66.

Auditors' independence

The Audit committee monitors the Company's safeguards against compromising the external auditors' objectivity and independence by performing an annual review of non-audit services provided to the Group and their cost, reviewing whether the auditors believe there are any relationships that may affect their independence and obtaining written confirmation from the auditors that they are independent.

For the financial year to 30 September 2007, the Audit committee has conducted its review of the auditors' independence and concluded that no conflict of interest exists between PricewaterhouseCoopers LLP audit and non-audit work and that their involvement in non-audit matters was the most effective way of conducting the Group's business during the year.

Auditor appointment policy

The Audit committee has reviewed its policy for appointing auditors and awarding non-audit work.

As a result of that policy, the Company instructed Ernst & Young and Deloitte for certain non-audit work and proposes that a written invitation will be issued to firms of accountants selected by the Company to tender for work, to ensure that certain non-audit work is carried out by firms other than the Company's auditors.

Following the recommendation of the Audit committee, the Board has decided that it is in the best interests of the Company to put a resolution to shareholders that PricewaterhouseCoopers LLP be reappointed as auditors for the forthcoming year. The resolution to appoint PricewaterhouseCoopers LLP will propose that they hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company, at a level of remuneration to be determined by the Directors.

Relations with shareholders

Principle D.1 of the Combined Code states that: "There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place."

Major institutions hold more than 75% of the Company's shares, with the remainder held by private shareholders.

Group management meets with institutional investors and analysts on a regular basis including following publication of the Company's interim and annual results, but not during close periods (as defined by the Model Code contained in the Listing Rules) and there is regular communication with all shareholders through the interim and annual reports and regular public announcements.

The Company's website, *www.futureplc.com,* contains up-to-date information on the Group's activities and the investor relations section includes copies of all of the Group's public announcements made via the Regulatory News Service of the London Stock Exchange, as well as full copies of the Company's annual and interim results, presentations provided to analysts, and an audio recording of the most recent such presentation made by the executive Directors.

The Chairman, senior independent Director, and any of the other Directors are available to meet with shareholders on request, although there is no formal schedule of regular meetings. Any shareholder who would like to meet the Chairman, the senior independent Director or any other non-executive Director is invited to contact the Chairman, senior independent Director or Company Secretary, as appropriate.

In order that all Directors are aware of the views of shareholders, Board packs include a note of views as expressed by shareholders during meetings held with Directors or as reported to the Directors through the Company's brokers, together with copies of analysts notes, press articles and other relevant information.

It is the Board's policy that all Directors and the Company Secretary should be present at the Company's Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

Mark Millar
Company Secretary and Head of Legal, Future plc
28 November 2007

Directors' remuneration report
for the financial year ended 30 September 2007

Compliance with best practice
As with all aspects of Corporate Governance, the Board applies best practice to its remuneration policy, in accordance with the provisions of Schedule 7A of the Companies Act 1985, the Listing Rules and the Combined Code. This report is submitted to shareholders for approval at the forthcoming Annual General Meeting to be held on Tuesday 29 January 2008.

Remuneration committee
Three independent non-executive Directors served on the Remuneration committee throughout the year: John Mellon (chair), Michael Penington and Patrick Taylor; Mark Millar, Company Secretary, is Secretary to the committee.

The committee is responsible for determining the basic annual salaries, incentive arrangements and terms of employment of executive Directors, for making recommendations regarding the level and make-up of the remuneration packages of senior managers, including bonus schemes and share-based incentives. The committee is also responsible for fixing the Chairman's remuneration and approving the terms of any new share-based incentive scheme for any employees of the Group, subject to shareholder approval. No Director is involved in deciding his or her own remuneration. As explained on page 37, the terms of reference of the Remuneration committee, reviewed annually, are available on the Company's website.

During the year, the committee has considered the level and make up of executive Directors' remuneration packages, the grant of share-based incentive awards and the level and basis of performance-related bonuses.

Advisers to Remuneration committee
New Bridge Street Consultants have been independent advisers to the committee since the committee appointed them in 2002. They provide no other services to the Company or its Directors.

Compliance with combined code
The Board has complied fully with the provisions of Section B of the Combined Code in relation to Directors' remuneration policy and practice, and has followed Schedule A to the Combined Code in relation to performance-related remuneration policy. Further information regarding the Company's compliance with the provisions of the Combined Code are set out in the Corporate Governance report on pages 34 to 40.

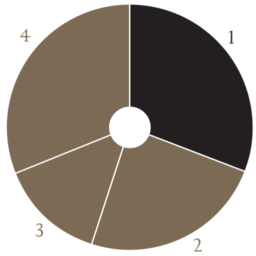
Policy on remuneration of executive Directors
The committee's objective has been to weight executive Directors' remuneration packages more towards performance-related pay, with performance-related targets linked to financial performance of the Group against budget and the Group's performance against business objectives and stated strategy.

In determining the level and make-up of executive Directors' remuneration, the committee also carefully considers the following issues:

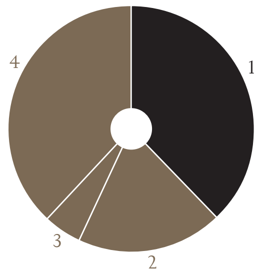
(a) Remuneration packages offered to executive Directors should be competitive with those available for comparable roles in companies operating in similar markets and on a similar scale, and should be sufficiently desirable so as to attract, retain and motivate high calibre Directors to perform at the highest levels, whilst at the same time ensuring that recruitment and remuneration expenditure is not excessive.
(b) The interests of executive Directors should be aligned with those of shareholders by ensuring that a significant proportion of remuneration is linked to Group performance.
(c) Remuneration packages and employment conditions of executive Directors should be considered in conjunction with those of key senior managers in order to achieve a consistent remuneration policy across the Group, whilst also keeping succession planning in mind.
(d) Cash and share-based incentives are payable dependent on Group performance, thereby aligning the interests of executive Directors with those of shareholders. The committee retains discretion in the schemes to ensure no bonus is unjustly received.

Details of the key elements of executive Directors' remuneration packages are set out overleaf. Details of Directors' interests in share schemes are set out on page 48 of this report and Directors' shareholdings are set out on page 31 in the Directors' report.

The split of potential maximum remuneration for 2008 between basic and performance-related pay is shown in the adjacent charts which set out each of the elements making up the total ongoing potential maximum remuneration.



Performance-related remuneration – Stevie Spring
1/ Basic salary FY08 (non performance related) 31%
2/ Annual bonus (max) (performance related) 24%
3/ Three-year bonus (max) (performance related) 14%
4/ PSP grant (performance related) 31%



Performance-related remuneration – John Bowman
1/ Basic salary FY08 (non performance related) 38%
2/ Annual bonus (max) (performance related) 19%
3/ Three-year bonus (max) (performance related) 5%
4/ PSP grant (performance related) 38%

Directors' remuneration report – continued
for the financial year ended 30 September 2007

(a) Basic annual salary (reviewed on 1 October each year)

In assessing the level of basic annual salary for each executive Director, the committee takes into consideration in particular the remuneration of equivalent roles within such comparable companies as the committee and its remuneration advisers consider appropriate (including both media companies and companies with similar market capitalisations), as well as the level of remuneration of senior managers. In addition, the responsibilities of each executive Director are taken into consideration when determining the level of basic annual salary which, with other elements of remuneration, is reviewed annually by the committee to ensure that executive Directors' remuneration packages are in line with median remuneration packages for the relevant comparator group. Salaries are reviewed annually, with effect from 1 October, taking into account annual performance review data, rate of inflation and salary increases across the Group.

The annual basic salaries for current executive Directors are set out below:

	30 September 2006	1 October 2006	**1 October 2007**
Stevie Spring	£275,000	£285,000	**£305,000**
John Bowman	£240,000	£240,000	**£246,000**

(b) Performance-related annual bonuses

All annual bonuses are at the discretion of the committee and are performance-linked. The overriding principle is that the performance targets should be stretching and should reflect good progress in the underlying business and an exceptional performance would be required to achieve maximum bonus.

In 2006 the committee designed and implemented a new annual performance-related bonus scheme ('Annual Bonus Scheme') to apply to the Chief Executive, the Group Finance Director and other senior managers.

Such bonus is calculated by reference to the adjusted EBITA profits of the Group in respect of each financial year. As explained last year, the committee made the change to adjusted EBITA from adjusted EPS targets to ensure alignment within the Group and to focus executive Directors on the operating profitability of the Group to the benefit of shareholders. In order to ensure that targets are stretching, the range for payment is:

:: If EBITA is 10% below target EBITA, no discretionary bonus will be payable.
:: If EBITA is between EBITA target and 10% below EBITA target, such amount as the committee determines in its discretion will be payable. The committee retained discretion to ensure that the level of bonus was merited by the individual.
:: If EBITA target is achieved a bonus equal to 40% of basic annual salary will be payable to the CEO and 25% of basic annual salary will be paid to the Group Finance Director.
:: If EBITA target is exceeded by up to 15%, such amount as the Remuneration committee determines in its discretion in excess of 40% of basic annual salary will be payable as a bonus.
:: If EBITA target is exceeded by 15% or more, the maximum bonus of 80% of basic annual salary will be payable to the CEO and 50% of basic annual salary will be payable to the Group Finance Director.

The adjusted EBITA target is set by the committee to be challenging and is set by reference to the budget for the relevant financial year. Target EBITA for 2008 is not published here as that would be profit forecast guidance ahead of the relevant period.

Payment of any annual bonus under the Annual Bonus Scheme is paid in December, following announcement of preliminary results and the conclusion of the audit in respect of the preceding financial year. Payment of annual bonus is subject to the Executive being in the Company's employment at the time of payment of such bonus and not having given or received notice of termination of employment and not being subject to disciplinary proceedings at that time.

The potential maximum annual bonus payable to the executive Directors under the Annual Bonus Scheme is 80% of basic annual salary for the Chief Executive and 50% for the Group Finance Director.

The committee excluded exceptional income from bonus calculation during the year and so the relevant measure used was EBITAE. Targeted EBITAE for 2007 was £14.8m (including France). Since EBITAE target for 2007 was achieved, a bonus equal to 40% of the Chief Executive's annual basic salary plus an additional £60,000, as approved by the Remuneration committee for exceptional performance, is payable to the Chief Executive and a bonus of 25% of the Group Finance Director's basic annual salary plus an additional £10,000, as approved by the Remuneration committee for exceptional performance, is payable to the Group Finance Director.

(c) Exceptional three year cash bonus scheme

As described in last year's Annual Report, in order to focus on medium-term performance of the business following disappointing results in 2005/06 an exceptional, one-off cash bonus scheme was implemented during 2006 based on the cumulative annual adjusted EBITA profits for the financial years of 2007, 2008 and 2009 ('Three Year Plan'). The Three Year Plan was designed by the committee to recruit Stevie Spring as Chief Executive and to retain John Bowman and to incentivise and reward executive Directors for strong medium-term performance of the Company. The details of the scheme are:

- If the cumulative EBITA target is not achieved, no bonus is payable.
- If the cumulative EBITA target is achieved, a bonus will be payable; for the Chief Executive this is approximately 82% of basic salary effective 1 October 2007 and for the Group Finance Director is approximately 25% of basic salary effective 1 October 2007.
- If cumulative EBITA is between the cumulative EBITA target and 15% above, such amount as the committee determines in its absolute discretion between the amounts payable for on-target and maximum payment that will be payable. The committee retained discretion to ensure that the level of bonus was merited by the individual.
- If the cumulative EBITA target is exceeded by 15% or more a maximum bonus will be payable.
  For the Chief Executive this is approximately 131% of the basic salary effective 1 October 2007 and for the Group Finance Director is approximately 41% of the basic salary effective 1 October 2007.

Any bonus payable under the Three Year Plan would be paid in December 2009, subject to the participants being in the Group's employment and to their not having given or received notice of termination of employment at the time of payment of such bonus and not being subject to disciplinary proceedings at that time.

The Three Year Plan adjusted EBITA target was also set by the committee to be challenging and is not published here as it would also be profit forecast guidance ahead of the periods.

(d) Long-term incentive plans (general policy)

The Board considers that it is right to align the interests of executive Directors and senior managers with those of shareholders by encouraging Directors and senior managers to hold shares in the Company, and by the grant of appropriate long-term share incentives to both executive Directors and senior managers.

Performance measures are considered by the committee to reflect company specifics and business objectives, taking into account Company strategy.

(i) 2003 Matched award LTIP

On 20 April 2004, matched awards were granted over a number of shares equal to the number of shares purchased by executive Directors (including John Bowman and certain senior management) in accordance with the rules of the 2003 LTIP, details of which are included at note 25 to the financial statements on pages 78 to 82. In April 2007 the awards lapsed as a result of performance criteria not having been met. No further awards have been or will be granted under the 2003 LTIP.

(ii) 2005 Performance share plan

The 2005 PSP replaced both the 2003 LTIP and the discretionary share options for executive Directors and other senior management. Other than in exceptional circumstances, the maximum value of PSP awards that may be granted to any individual in any one year period is 100% of basic annual salary.

On 1 December 2006 awards were granted to, amongst others, Stevie Spring and John Bowman. These awards will vest on 1 December 2009, subject to performance targets measured over the three year period from 1 October 2006 to 30 September 2009 having been met, and provided that the participants are still employed by the Company on the vesting date. Vesting of the awards is subject to both Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance as described below. The performance conditions were set following extensive consultation with major institutional shareholders. Details of the awards made to executive Directors under the PSP scheme are set out on page 48.

It is also proposed to make annual awards under this scheme in the 42 day period following announcement of preliminary results on 28 November 2007.

The awards granted in February 2005 will lapse as a result of performance criteria not having been met. It is also likely that the awards granted in January 2006 will not result in any significant award.

EPS Performance Criterion – 50% of PSP Award

Growth in EPS over the three years is to exceed annual RPI +3% for the award to vest, with full vesting at annual RPI +8% and on a straight-line basis between these levels.

Directors' remuneration report – continued
for the financial year ended 30 September 2007

TSR Performance Criterion – 50% of PSP Award
If the Company's TSR performance places it below median ranking, none of the part of the award dependent on TSR performance will vest. If the TSR performance places it above median ranking, 25% will vest through to 100% if the Company is ranked in the upper quintile ie top 20%. Between median and upper quintile, the award will vest on a pro-rata straight-line basis.

In respect of the TSR performance, the Company's performance is measured against a basket of competitor companies comprising at all times a minimum of 15 companies, and currently comprising:

Bloomsbury Publishing
Centaur Holdings
Emap
Euromoney Institutional Investor
Expomedia Group
Haynes Publishing
Huveaux
Informa
ITE Group
Johnston Press
Pearson
Reed Elsevier
SMG
Tarsus Group
Trinity Mirror
Wilmington Group
Yell Group

To alleviate short-term volatility, the return index will be averaged in the TSR calculations for each company over the three months prior to the start and end of the performance period.

The Company considered it appropriate to measure performance in respect of both EPS and TSR and the specific criteria are considered to be stretching. The performance criteria were set following consultation with both the Association of British Insurers (ABI) and major shareholders. Consideration will be given to alternative performance conditions potentially better linked to business objectives and KPIs for future years; the Company will consult with major shareholders before any such measures are implemented.

(iii) 2006 Restricted Share Awards
In 2006, in order to recruit a new Chief Executive and subsequently to retain and incentivise other key senior Group managers the committee approved the grant of exceptional one-off restricted share awards to the new Chief Executive and then to the Group Finance Director and selected senior managers. Awards were granted over a total of 2,551,341 shares by The Future Network plc 1999 Employee Benefit Trust (EBT) following the purchase of such number of shares by the EBT with funds provided by the Company.

One third of the awards vested on 31 December 2006 and the remaining two thirds of the awards will vest equally on 31 December 2007 and 31 December 2008. Following the vesting of the first tranche of the awards, 1,700,894 shares remain in the EBT. Vesting of the awards is subject only to the participants remaining in employment on the vesting dates. There are no other performance criteria attached to the awards because, as part of a more performance-focused package, the committee was satisfied that other elements of the remuneration package required strong delivery of results and this was a one-off exceptional grant to ensure recruitment and retention so no other conditions should apply.

The awards are intended to align the interests of key individuals and shareholders. No further awards are proposed.

(e) Share option schemes (no executive options have been granted since 2003)
No executive share options were granted to executive Directors or other employees during the year and it is intended that no further options will be granted.

All executive share options granted to executive Directors or other employees have either lapsed or vested.

Details of existing, outstanding executive share options of executive Directors are set out on page 48, and information regarding executive share option schemes and all options grants (including the performance conditions) are set out at note 25 to the financial statements on pages 78 to 82.

The executive Directors hold options under the all-employee sharesave plan which, in common with plans of this type, are not subject to performance conditions.

(f) Pensions (money-purchase benefits only)
The only element of remuneration that is pensionable is basic annual salary, excluding bonuses and benefits in kind. Employer's pension contributions for executive Directors are payable at 12.5% (rising to 15% in 2008 for the Chief Executive). Contributions by executive Directors are payable at 5%.

Policy on remuneration of non-executive Directors
The remuneration of non-executive Directors is determined by the Board and reviewed every three years. The fees of non-executive Directors have been reviewed during the year and it was decided that there should be no increase in fees. Fees are paid at a standard annual rate to reflect the time, commitment and responsibilities of the roles, with additional fees paid to those who chair Board

committees to reflect their additional responsibilities. Separately, the committee sets the fee payable to the Chairman of the Board. The standard fees are set out in the table below.

Non-executive Directors are not included in any performance-related bonus or share incentive schemes.

Basic annual fees:	£
Chairman:	100,000
Other non-executive Directors:	35,000
Additional fees:[1]	
Chairman of committee	15,000
Senior independent Director	10,000
Member of committee	Nil

Note:

1. Additional fees apply only once, regardless of the number of committees of which a non-executive Director is a member or a Chairman.

Policy on Directors' service contracts and termination payments

(a) Service contracts of executive Directors and compensation

The service contracts of executive Directors are terminable on one year's notice. Compensation for early termination is limited to one year's basic annual salary and benefits and the Director would be required to mitigate their loss. Any entitlements under share incentive plans will vest or lapse, as applicable, at the discretion of the committee, in accordance with the terms of such plans. The details are shown in the table below.

(b) Letters of appointment of non-executive Directors

Non-executive Directors have three-year appointments with the Company, which are terminable on three months' notice by either party.

Retirement and re-election

It is the Company's policy that every Director stands for election every year.

Policy on external appointments

The Company believes that exposure of its executive Directors to other Boards can be beneficial and can help to broaden their experience and knowledge. Executive Directors are therefore permitted to join other Boards as a non-executive Director, subject to the prior approval of the Board. Currently neither of the executive Directors holds an external appointment on the board of any other publicly listed company.

Name of Director	Date of contract	Unexpired term of contract on 30 September 2007	Notice period under contract	Compensation payable on early termination
Stevie Spring	6 June 2006	Until normal retirement age	12 months	Salary and benefits during unexpired notice period
John Bowman	24 November 2004	Until normal retirement age	12 months	Salary and benefits during unexpired notice period

Directors' remuneration report – continued
for the financial year ended 30 September 2007

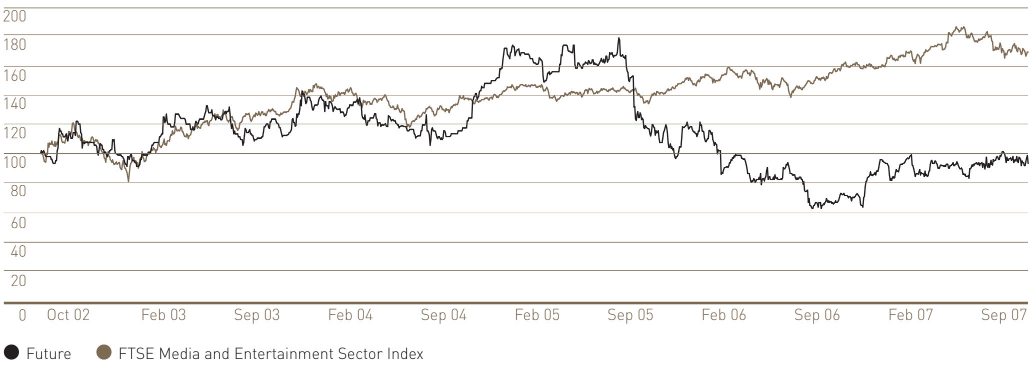
Performance graphs: Total Shareholder Return (TSR) against FTSE Media and Entertainment Sector Index (UK companies)

The committee has again chosen to publish graphs for two different periods. In each case, these show the TSR on a holding of shares in the Company compared with a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to which the FTSE Media and Entertainment Sector Index (UK companies) is calculated.

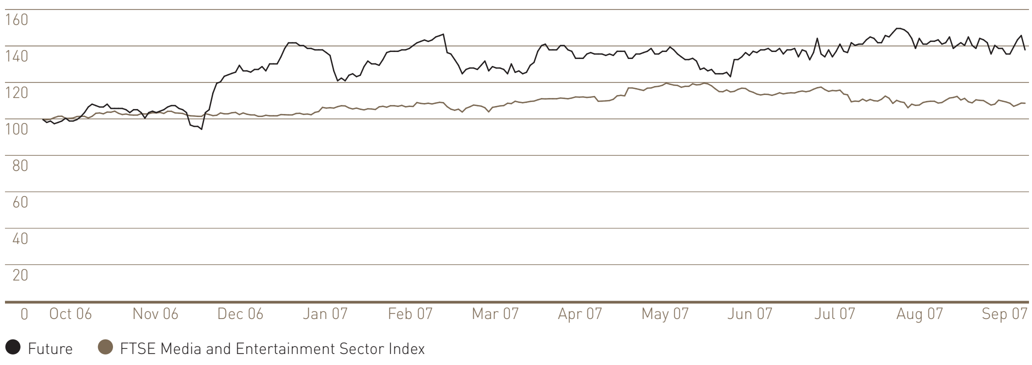
Graph 1 shows the TSR for the five years ended 30 September 2007. Graph 2 shows the TSR during the financial year ended 30 September 2007.

The FTSE Media and Entertainment Sector Index (UK companies) is chosen by the Company because it is the index in which the Company is classified and contains the companies which make up the comparator companies for the purposes of the TSR-based performance criteria set in respect of share-based awards granted by the Company since November 2001. The sector currently comprises the companies listed on page 87.

Graph 1: Last five years
Total Shareholder Return: Rebased to Future plc as of 1 October 2002



Graph 2: Financial year ended 30 September 2007
Total Shareholder Return: Rebased to Future plc as of 1 October 2006



Directors' remuneration (audited)

The emoluments of the Directors of the Company (including any entitlement to fees or emoluments from subsidiary companies and interests in any long-term cash incentive schemes) were as set out below.

A. Aggregate emoluments

	Year ended 30 September 2007 £'000	Year ended 30 September 2006 £'000
Salaries and fees	780	924
Benefits	19	18[1]
Performance-related bonuses	244	–
Pension contributions	65	69
Compensation for loss of office	–	513
Total	1,108	1,524

B. Individual emoluments of Directors

Directors in office at 30 September 2007	Salary and fees 2007 £'000	Salary and fees 2006 £'000	Performance-related bonuses[5] 2007 £'000	Performance-related bonuses[5] 2006 £'000	Value of any other non-cash benefits 2007 £'000	Value of any other non-cash benefits 2006 £'000	Pension contributions 2007 £'000	Pension contributions 2006 £'000	Year ended 30 September 2007 Total £'000	Year ended 30 September 2006 Total £'000
Executive										
S Spring[1, 4]	285	83	174	–	11	3	35	10	505	96
J Bowman[1, 4]	240	240	70	–	8	8	30	30	348	278
Non-executive										
R Parry[2]	100	200	–	–	–	–	–	–	100	200
M Penington	45	45	–	–	–	–	–	–	45	45
P Taylor	50	50	–	–	–	–	–	–	50	50
J Mellon	50	50	–	–	–	–	–	–	50	50
S Bishop	10	–	–	–	–	–	–	–	10	–

Notes:

1. In relation to the other benefits received, the values indicated relate to the following benefits received by each Director: Stevie Spring: car allowance (£10,000) and private health (£640). John Bowman: car allowance (£8,333) and private health (£320). There were no taxable expenses paid to any Director in the year.
2. Roger Parry served as non-executive Chairman throughout the year. Mr Parry's services were provided by West Eight Investments Limited and fees in respect of his services were paid to that company.
3. In addition to the above emoluments, the total employer's National Insurance Contributions for the year ended 30 September 2007 were £101,000 (2006: £139,000).
4. On 31 December 2006 Stevie Spring and John Bowman received 248,447 and 100,000 shares respectively under their restricted share awards. The gains arising on these shares were £111,801 and £45,000 respectively. Some of the shares were sold to pay the relevant tax liability at the time of vesting.
5. No amounts are included in performance-related bonuses in respect of the exceptional three year cash bonus because payment is dependent upon cumulative three year performance and so no payment is due until 2009. An amount of £37,500 was payable to a former Director under the terms of a consultancy agreement.

C. Directors' interest in Long-Term Incentive Plans

Three Year Bonus Plan	Interest as at 1 October 2006	Awards during 2007	Performance period ends
S Spring	See page 43	Nil	30 September 2009
J Bowman	See page 43	Nil	30 September 2009

Directors' remuneration report – continued
for the financial year ended 30 September 2007

Directors' interests in share schemes

Details of options and other share incentives held by executive Directors and movements during the year are set out below. Details of the PSP awards made during the year are set out in the table below.

Directors in office at 30 Sept 2007	Date of grant[4]	Earliest exercise date	Expiry date	Exercise price per share (p)	Balance at 1 Oct 2006 (shares)	Vested/ exercised during the year (shares)	Granted during the year (shares)	Lapsed unexercised during the year (shares)	**Balance at 30 Sept 2007 (shares)**
Executive Discretionary share option schemes									
J Bowman	19 Nov 2001	19 Nov 2004	19 Nov 2011	47	200,000	–	–	–	**200,000**
2003 LTIP									
J Bowman	20 April 2004	20 April 2007	20 April 2014	68	100,000	–	–	(100,000)	**–**
PSP[1]									
S Spring	1 Dec 2006	1 Dec 2009	N/A	Nil	–	–	838,235	–	**838,235**
J Bowman	15 Feb 2005	15 Feb 2008	N/A	Nil	281,212	–	–	–	**281,212**
	10 Jan 2006	10 Jan 2009	N/A	Nil	413,793	–	–	–	**413,793**
	1 Dec 2006	1 Dec 2009	N/A	Nil	–	–	705,882	–	**705,882**
Restricted Share Awards									
S Spring[2]	20 June 2006	31 Dec 2006, 2007 & 2008	N/A	Nil	745,341	(248,447)[2]	–	–	**496,894**
J Bowman[2]	7 July 2006	31 Dec 2006, 2007 & 2008	N/A	Nil	300,000	(100,000)[2]	–	–	**200,000**
Sharesave Plan									
S Spring	21 Dec 2006	1 Feb 2010	1 Aug 2010	25	–	–	37,800	–	**37,800**
J Bowman[3]	23 Dec 2005	1 Feb 2009	1 Aug 2009	46.5	20,107	–	–	(20,107)	**–**
J Bowman[3]	21 Dec 2006	1 Feb 2010	1 Aug 2010	25	–	–	37,800	–	**37,800**

Notes:

1. PSP awards are subject to the performance criteria set out on pages 43 and 44.
2. One third of the total awards granted vested on 31 December 2006 and Ms Spring and Mr Bowman sold sufficient shares to pay the tax liability arising on the vesting of the awards. The remainder will vest in two equal tranches on 31 December 2007 and 31 December 2008.
3. Mr Bowman cancelled the savings contract entered into with Yorkshire Building Society in respect of the sharesave options granted in December 2005, resulting in the 20,107 options granted to him lapsing. He commenced a new savings contract in December 2006.
4. The price paid for the grant of all awards was nil.

Share-based incentive awards granted to other employees

Executive discretionary share options were granted at flotation in June 1999 and subsequently over the Company's shares under the share option schemes described in note 25 to the accounts on pages 78 to 82. Options granted since the 2001 rights issue are subject to performance criteria linked to growth in TSR or EPS, and are summarised in note 25.

The options granted on 13 April 2004 to employees (not including any Director) lapsed on 12 April 2007 because performance criteria were not met. These options were subject to the same EPS performance criteria as matched awards under the 2003 LTIP (which also lapsed in April 2007), described in note 25 and were the last options to have been granted.

Deferred Annual Bonus Scheme (DABS)

The DABS is a share-based incentive scheme, intended for senior managers, with levels of participation dependent on the relevant Group company's financial performance during the most recent financial year and, in the case of the Managing Directors of those businesses, part on their Group company's performance and part on Group financial performance. The maximum value of any award of shares granted under the DABS to any one participant will be an amount which is equal to a fixed percentage of that eligible participant's annual cash bonus actually received or payable for the previous financial year. The number of shares to be awarded to each eligible participant will be calculated by reference to the market value of a share in the Company on the date of the award.

The shares awarded under the DABS will be transferred to the eligible participant three years after the date of award, subject only to the employee remaining in the employment of the Group throughout those three years.

In December 2006, DABS awards were granted over 246,124 shares to senior managers, the values of which were calculated in respect of each individual by reference to the cash bonus payable to them in respect of the financial year to 30 September 2006. Further DABS awards will be made following announcement of preliminary results on 28 November 2007.

Sharesave plan (annual invitations being issued in December 2007)

The Board wishes to continue to encourage employee share ownership. The Company's Sharesave Plan is open to all eligible UK employees at the date an invitation is made. Full details of the Sharesave Plan are set out in note 25. In total, under the Company's Sharesave Plan there were, as at 30 September 2007, share options outstanding over 3,218,011 shares. Included in this total are the options granted to executive Directors in the table shown opposite.

It is the Board's intention to continue to consider the issue of invitations to eligible employees each year normally within the period of 42 days following the publication of the Company's interim and/or annual results. The Board has approved the issue of an invitation to all eligible UK employees following announcement of preliminary results on 28 November 2007.

Share incentive plan

The Board also recognises that the introduction of a Share Incentive Plan (SIP) is a tax advantageous way for employees to invest in the Company and align their interests with the interests of shareholders. Shareholders approved the implementation of a SIP at the 2005 Annual General Meeting. The SIP has not yet been launched, and the Board intends to review the situation and assess when it is appropriate to launch the SIP.

Interests in shares

The Directors' interests in the issued shares of the Company, and movements since 1 October 2006, are set out on page 31 in the Directors' report. The Directors' interests in share schemes are set out opposite.

Dilution

The Remuneration committee has regard to ABI limits on dilution and regularly reviews the number of shares committed under share incentive schemes and the headroom available for granting share-based incentives in accordance with ABI guidelines on dilution limits.

As at 1 October 2006, the number of shares committed under share-based incentive schemes since IPO was 11,225,027.

During the year, a further 4,853,511 shares were committed under share-based incentive schemes and 3,882,265 post-IPO awards and options lapsed.

The total number of shares committed under share-based incentive schemes as at 30 September 2007 was 12,196,271.

As at 30 September 2007, in respect of the 5% dilution limit, the 7,730,131 shares committed represents 2.4% and in respect of the 10% dilution limit, the 12,196,271 shares committed represents 3.7%.

Directors' remuneration report – continued
for the financial year ended 30 September 2007

Share price during the financial year

The middle-market price of a share in the Company during the financial year was in the range from 30.5p to 47.5p. The average price for the financial year was 41.6p and at the end of the financial year the share price was 43.75p.

Approved by the Board of Directors and signed on its behalf by:

John Mellon
Chairman of the Remuneration committee, Future plc
28 November 2007

Independent auditors' report to the members of Future plc

We have audited the Group and parent company financial statements (the ''financial statements'') of Future plc for the year ended 30 September 2007 which comprise the Consolidated income statement, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated balance sheet, the Company balance sheet, the Group and Company cash flow statements and Notes to the Group and Company cash flow statements, the Accounting policies and the related notes. These financial statements have been prepared under the Accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the business review that is cross referred from the business review section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2003) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, The dynamics of our business, the Business review, the Board of Directors, the Directors' report, the Corporate Governance report, the unaudited part of Directors' remuneration report and the Normalised results. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free

Independent auditors' report to the members of Future plc – continued

from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

:: the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2007 and of its profit and cash flows for the year then ended;
:: the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2007 and cash flows for the year then ended;
:: the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
:: the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
Bristol
4 December 2007

Financial statements

Contents

Consolidated income statement

for the year ended 30 September 2007

Continuing operations	Note	2007 £m	2006 £m
Revenue	1,2	**165.7**	188.1
Operating profit before exceptional items, impairment and amortisation of intangible assets		**14.0**	12.1
Exceptional items	5	**1.7**	(7.3)
Impairment of intangible assets	4,13	**–**	(33.0)
Amortisation of intangible assets	4,13	**(3.6)**	(5.8)
Operating profit/(loss)	1,3	**12.1**	(34.0)
Finance income	7	**0.6**	0.4
Finance costs	7	**(3.5)**	(3.1)
Net finance costs	7	**(2.9)**	(2.7)
Profit/(loss) before tax	4	**9.2**	(36.7)
Tax on profit/(loss)	8	**(1.8)**	1.9
Profit/(loss) for the year from continuing operations		**7.4**	(34.8)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	11	**6.8**	(12.4)
Profit/(loss) for the year		**14.2**	(47.2)

Earnings per 1p Ordinary share

	Note	2007 p	2006 p
Basic earnings/(loss) per share – Total Group	10	**4.4**	(14.5)
Diluted earnings/(loss) per share – Total Group	10	**4.3**	(14.5)
Basic earnings/(loss) per share – Continuing operations	10	**2.3**	(10.7)
Diluted earnings/(loss) per share – Continuing operations	10	**2.2**	(10.7)

Consolidated statement of changes in equity

for the year ended 30 September 2007

Group	Note	Share capital £m	Share premium £m	Merger reserve £m	Treasury reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2005		3.3	24.4	109.0	–	(19.2)	117.5
Loss for the year		–	–	–	–	(47.2)	(47.2)
Currency translation differences		–	–	–	–	(0.4)	(0.4)
Total recognised loss for the year		–	–	–	–	(47.6)	(47.6)
Final dividend relating to 2005	9	–	–	–	–	(4.2)	(4.2)
Interim dividend relating to 2006	9	–	–	–	–	(1.7)	(1.7)
Share option schemes							
– Value of employees' services	6	–	–	–	–	0.7	0.7
– Deferred tax on options	8	–	–	–	–	(0.1)	(0.1)
Treasury shares acquired	26	–	–	–	(1.1)	–	(1.1)
New share capital subscribed	24	–	0.1	–	–	–	0.1
Balance at 30 September 2006		3.3	24.5	109.0	(1.1)	(72.1)	63.6
Profit for the year		–	–	–	–	14.2	14.2
Currency translation differences		–	–	–	–	(1.0)	(1.0)
Total recognised profit for the year		–	–	–	–	13.2	13.2
Final dividend relating to 2006	9	–	–	–	–	(1.6)	(1.6)
Interim dividend relating to 2007	9	–	–	–	–	(1.6)	(1.6)
Share option schemes							
– Value of employees' services	6	–	–	–	–	0.9	0.9
Transfer between reserves	26	–	–	–	0.4	(0.4)	–
Balance at 30 September 2007		**3.3**	**24.5**	**109.0**	**(0.7)**	**(61.6)**	**74.5**

Company statement of changes in equity

for the year ended 30 September 2007

Company	Note	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 October 2005		3.3	24.4	98.5	126.2
Loss for the year		–	–	(10.2)	(10.2)
Total recognised loss for the year		–	–	(10.2)	(10.2)
Final dividend relating to 2005	9	–	–	(4.2)	(4.2)
Interim dividend relating to 2006	9	–	–	(1.7)	(1.7)
Share option schemes					
– Value of employees' services		–	–	0.3	0.3
– Deferred tax on options		–	–	(0.1)	(0.1)
New share capital subscribed		–	0.1	–	0.1
Balance at 30 September 2006		3.3	24.5	82.6	110.4
Loss for the year		–	–	(7.8)	(7.8)
Total recognised loss for the year		–	–	(7.8)	(7.8)
Final dividend relating to 2006	9	–	–	(1.6)	(1.6)
Interim dividend relating to 2007	9	–	–	(1.6)	(1.6)
Share option schemes					
– Value of employees' services		–	–	1.3	1.3
Balance at 30 September 2007		**3.3**	**24.5**	**72.9**	**100.7**

Consolidated balance sheet

as at 30 September 2007

	Note	2007 £m	2006 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**4.9**	6.2
Intangible assets – goodwill	13	**104.8**	104.7
Intangible assets – other	13	**4.3**	6.9
Deferred tax	15	**2.9**	3.5
Total non-current assets		**116.9**	121.3
Current assets			
Inventories	16	**3.1**	4.9
Corporation tax recoverable		**0.4**	2.6
Trade and other receivables	17	**30.2**	36.8
Cash and cash equivalents	18	**14.2**	20.0
Total current assets		**47.9**	64.3
Total assets		**164.8**	185.6
Equity and liabilities			
Equity			
Issued share capital	24	**3.3**	3.3
Share premium account		**24.5**	24.5
Merger reserve	26	**109.0**	109.0
Treasury reserve	26	**(0.7)**	(1.1)
Retained earnings		**(61.6)**	(72.1)
Total equity		**74.5**	63.6
Non-current liabilities			
Financial liabilities – interest-bearing loans and borrowings	20	**21.8**	25.8
Deferred tax	15	**1.9**	1.9
Provisions	21	**1.4**	5.6
Other non-current liabilities	22	**2.4**	2.6
Total non-current liabilities		**27.5**	35.9
Current liabilities			
Financial liabilities – interest-bearing loans and borrowings	20	**16.7**	27.0
Trade and other payables	19	**44.9**	58.9
Corporation tax payable		**1.2**	0.2
Total current liabilities		**62.8**	86.1
Total liabilities		**90.3**	122.0
Total equity and liabilities		**164.8**	185.6

Approved by the Board of Directors on 28 November 2007 and signed on its behalf by:

R Parry
Chairman

J Bowman
Group Finance Director

Company balance sheet

as at 30 September 2007

	Note	2007 £m	2006 £m
Assets			
Non-current assets			
Investment in Group undertakings	14	**1.1**	1.1
Deferred tax	15	**0.3**	0.1
Total non-current assets		**1.4**	1.2
Current assets			
Trade and other receivables	17	**187.7**	185.6
Cash and cash equivalents	18	**1.1**	21.6
Total current assets		**188.8**	207.2
Total assets		**190.2**	208.4
Equity and liabilities			
Equity			
Issued share capital	24	**3.3**	3.3
Share premium account		**24.5**	24.5
Retained earnings		**72.9**	82.6
Total equity		**100.7**	110.4
Non-current liabilities			
Financial liabilities – interest-bearing loans and borrowings	20	**21.8**	25.8
Provisions	21	**1.1**	–
Total non-current liabilities		**22.9**	25.8
Current liabilities			
Financial liabilities – interest-bearing loans and borrowings	20	**7.9**	16.8
Trade and other payables	19	**58.7**	55.4
Total current liabilities		**66.6**	72.2
Total liabilities		**89.5**	98.0
Total equity and liabilities		**190.2**	208.4

Approved by the Board of Directors on 28 November 2007 and signed on its behalf by:

R Parry
Chairman

J Bowman
Group Finance Director

Group and Company cash flow statements

for the year ended 30 September 2007

	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Cash flows from operating activities				
Cash generated from/(used in) operations	14.0	(1.1)	24.0	(3.5)
Interest received	0.6	0.5	0.5	0.5
Tax received	2.5	–	0.2	–
Interest paid	(3.0)	(2.4)	(3.2)	(2.6)
Tax paid	(1.9)	–	(0.9)	–
Net cash generated from/(used in) operating activities	12.2	(3.0)	20.6	(5.6)
Cash flows from investing activities				
Purchase of property, plant and equipment	(1.3)	–	(4.2)	–
Purchase of magazine titles, websites and trademarks	(2.5)	–	(2.4)	–
Purchase of computer software and website development	(1.0)	–	(0.9)	–
Disposal of magazine titles and trademarks	0.5	–	–	–
Disposal of software	0.2	–	–	–
Disposal of subsidiary undertakings	6.0	–	–	–
Cost of business disposals	(0.3)	–	–	–
Net cash disposed with subsidiary undertakings	(2.7)	–	–	–
Net movement in amounts owed to/by subsidiaries	–	(0.2)	–	7.0
Net cash (used in)/generated from investing activities	(1.1)	(0.2)	(7.5)	7.0
Cash flows from financing activities				
Proceeds from issue of Ordinary share capital	–	–	0.1	0.1
Purchase of own shares by Employee Benefit Trust	–	–	(1.1)	–
Draw down of bank loans	9.0	7.0	7.3	5.0
Repayment of bank loans	(22.5)	(20.0)	(4.0)	(4.0)
Rearrangement fees for bank loans	(0.2)	(0.2)	–	–
Equity dividends paid	(3.2)	(3.2)	(5.9)	(5.9)
Net cash used in financing activities	(16.9)	(16.4)	(3.6)	(4.8)
Net (decrease)/increase in cash and cash equivalents	(5.8)	(19.6)	9.5	(3.4)
Cash and cash equivalents at beginning of year	20.0	21.6	10.7	25.7
Exchange adjustments	–	(0.9)	(0.2)	(0.7)
Cash and cash equivalents at end of year	14.2	1.1	20.0	21.6
Amount attributable to – Continuing operations	14.2	1.1	20.0	21.6
– Discontinued operations	–	–	–	–

Notes to the Group and Company cash flow statements

for the year ended 30 September 2007

A. Cash generated from operations

The reconciliation of operating profit/(loss) to cash flows generated from operations is set out below:

	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Operating profit/(loss) for the year – Continuing operations	**12.1**	**(3.4)**	(34.0)	(4.9)
– Discontinued operations	**2.2**	**–**	(12.4)	–
Operating profit/(loss) for the year – Total Group	**14.3**	**(3.4)**	(46.4)	(4.9)
Adjustments for:				
Depreciation charge	**2.2**	**–**	2.0	–
Profit on disposals of magazine titles and trademarks	**(1.0)**	**–**	–	–
Amortisation of intangible assets	**3.6**	**–**	5.9	–
Impairment of intangible assets	**–**	**–**	45.0	–
Share option schemes				
– Value of employees' services	**0.9**	**0.5**	0.7	0.3
Operating profit/(loss) before changes in working capital and provisions	**20.0**	**(2.9)**	7.2	(4.6)
Movement in provisions	**(4.8)**	**1.1**	3.4	–
Decrease in inventories	**0.5**	**–**	1.2	–
Decrease/(increase) in trade and other receivables	**2.3**	**(0.1)**	8.2	0.6
(Decrease)/increase in trade and other payables	**(4.0)**	**0.8**	4.0	0.5
Cash generated from/(used in) operations	**14.0**	**(1.1)**	24.0	(3.5)

B. Analysis of net debt

Group	1 October 2006 £m	Cash flows £m	Disposals £m	Non-cash changes £m	Exchange movements £m	30 September 2007 £m
Cash and cash equivalents	20.0	(3.1)	(2.7)	–	–	**14.2**
Debt due within one year	(27.0)	13.5	–	(4.0)	0.8	**(16.7)**
Debt due after more than one year	(25.8)	–	–	4.0	–	**(21.8)**
Net debt	**(32.8)**	**10.4**	**(2.7)**	**–**	**0.8**	**(24.3)**

Company	1 October 2006 £m	Cash flows £m	Disposals £m	Non-cash changes £m	Exchange movements £m	30 September 2007 £m
Cash and cash equivalents	21.6	(19.6)	–	–	(0.9)	**1.1**
Debt due within one year	(16.8)	12.9	–	(4.0)	–	**(7.9)**
Debt due after more than one year	(25.8)	–	–	4.0	–	**(21.8)**
Net debt	**(21.0)**	**(6.7)**	**–**	**–**	**(0.9)**	**(28.6)**

C. Reconciliation of movement in net debt

	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Net debt at start of year	**(32.8)**	**(21.0)**	(39.5)	(15.9)
(Decrease)/increase in cash and cash equivalents	**(3.1)**	**(19.6)**	9.5	(3.4)
Cash disposed with subsidiaries	**(2.7)**	**–**	–	–
Movement in borrowings	**13.5**	**12.9**	(3.3)	(1.0)
Exchange movements	**0.8**	**(0.9)**	0.5	(0.7)
Net debt at end of year	**(24.3)**	**(28.6)**	(32.8)	(21.0)

Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at fair value.

The principal accounting policies applied in the preparation of the consolidated financial statements published in this 2007 Annual Report are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee's (IFRIC) interpretations as adopted by the European Union, applicable as at 30 September 2007 and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Group has also adopted IFRIC 11 (IFRS 2: Group and Treasury Share Transactions) and amendments to IAS 39 (Financial Instruments: Recognition and Measurement) which were not mandatory for this accounting period. The adoption of these did not have a material impact on the Group's results.

The Group has taken advantage of the exemption not to produce a Company income statement.

Basis of consolidation
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment reporting
A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group is managed primarily on a geographical basis.

Revenue recognition
Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement once the service has been completed.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts and after eliminating sales within the Group. The following recognition criteria also apply:

- Magazine newsstand circulation and advertising revenue is recognised according to the date that the related publication goes on sale
- Event income is recognised when the event has taken place
- Licensing revenue is recognised on the supply of the licensed content
- Other revenue is recognised at the time of sale or provision of service

Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Group's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments existing at the transition date have been treated as assets and liabilities of the acquiring company. Goodwill and fair value adjustments arising on the acquisition of a foreign entity post transition are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Employee benefits

(a) Pension obligations

The Group has a number of defined contribution plans. For defined contribution plans the Group pays contributions into a privately administered pension plan on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are charged to the income statement as they are incurred.

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the appropriate service period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, earnings per share). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Shares in the Company are held in trust to satisfy the exercise of awards under certain of the Group's share-based compensation plans and exceptional awards. The trust is consolidated within the Group accounts. These shares are presented in the consolidated balance sheet as a deduction from equity at the market value on the date of acquisition.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses taking into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Exceptional items

The Group classifies transactions as exceptional where they relate to an event that falls outside of the ordinary activities of the business and where individually or in aggregate they have a material impact on the financial statements.

Tax

Tax on the profit or loss for the year comprises current tax and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is payable based on taxable profits for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, along with any adjustment relating to tax payable in previous years. Taxable profit differs from net profit in the income statement in that income or expense items that are taxable or deductible in other years are excluded – as are items that are never taxable or deductible. Current tax assets relate to payments on account not offset against current tax liabilities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled in the appropriate territory.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Discontinued operations and assets held for sale
Where the Group expects to recover the carrying amount of a group of assets through a sale transaction rather than through continuing use, the assets are available for immediate sale, and a sale is highly probable at the balance sheet date, the assets are classified as held for sale and measured at the lower of cost and fair value less costs to sell. If the group of assets constitutes a separate major line of business or geographical area it is classified as a discontinued operation. No depreciation or amortisation is charged in respect of non-current assets classified as held for sale.

Dividends
Interim dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are paid. Final dividend distributions are recognised in the period in which they are approved.

Property, plant and equipment
Property, plant and equipment is stated at cost (or deemed cost) less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that had been revalued to fair value prior to 1 October 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that valuation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation
Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment less residual value over estimated useful lives, as follows:

- Leasehold properties and improvements – 50 years or period of the lease if shorter
- Plant and machinery – between one and five years
- Equipment, fixtures and fittings – between one and five years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Intangible assets
(a) Goodwill
All business combinations are accounted for by applying the purchase method of accounting. In respect of business combinations that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of net identifiable assets acquired. In respect of business combinations prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to appropriate cash generating units (those expected to benefit from the business combination) and it is not subject to amortisation but is tested annually for impairment.

(b) Titles, trademarks, advertising relationships and other 'magazine and website related' intangibles
Magazine and website related intangible assets have a finite useful life and are stated at cost less accumulated amortisation. Assets acquired as part of a business combination are initially stated at fair value. Amortisation is calculated using the straight-line method to allocate the cost of these intangibles over their estimated useful lives (between one and five years).

Expenditure incurred on the launch of new magazine titles is recognised as an expense in the income statement as incurred.

(c) Computer software and websites
Non-integral computer software purchases are capitalised at cost. Costs incurred in the development of new websites are capitalised only where the cost can be directly attributed to developing the website to operate in the manner intended by management and only to the extent of the future economic benefits expected from its use. These costs are amortised over their estimated useful lives (between one and three years). Costs associated with maintaining computer software programmes or websites are recognised as an expense as incurred.

Impairment of intangible assets
Assets that have a finite useful life are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Inventories
Inventories are stated at the lower of cost and net realisable value. For raw materials, cost is taken to be the purchase price. For work in progress and finished products, cost is calculated as the direct cost of production. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions
Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments to reduce exposure to foreign exchange and interest rate risks and recognises these at fair value in its balance sheet. Any changes to the fair value of these derivatives are recognised in the income statement. The Group currently does not apply hedge accounting under IAS 39 in respect of instruments held. Any new instruments entered into by the Group will be reviewed on a case by case basis at inception to determine whether they should qualify as hedges and be accounted for accordingly under IAS 39. In accordance with its treasury policy, the Group does not hold or issue any derivative financial instruments for trading purposes.

Critical accounting assumptions and judgements
The preparation of the accounts under IFRS requires the use of certain critical accounting assumptions and requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements are discussed below:

(a) Intangible fixed assets
The Group uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible fixed assets are impaired. If the results of an operation in future years are adverse to the estimates used for impairment testing, an impairment may be triggered at that point, or a reduction in useful economic life may be required.

(b) Deferred taxation
The Group is subject to tax in all territories, and judgement and estimates of future profitability are required to determine the Group's deferred tax position. If the final tax outcome is different to that assumed, resulting changes will be reflected in the income statement or statement of changes in equity as appropriate.

Standards, interpretations and amendments to published standards that are not yet effective
Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 October 2007 or later periods but which the Group has chosen not to adopt early. The new standards that could be relevant to the Group's operations are as follows:

- IFRS 7 (Financial Instruments: Disclosures) introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosure about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk

- IFRS 8 (Operating Segments) sets out requirements for disclosure of information about an entity's operating segments

Standards, interpretations and amendments to published standards that are not relevant for the Group's operations
(a) IFRIC 12 Service Concession Arrangements

(b) IFRIC 13 Customer Loyalty Programmes

(c) IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Notes to the financial statements

1. Segmental reporting

A geographical segment is based on the economic environment in which an entity operates. The Group's continuing operations are split geographically between the UK and the US. Future Media Italy and Future France, previously managed as part of the mainland Europe segment, were sold on 1 December 2006 and 28 September 2007 respectively. These are disclosed as discontinued operations (see note 11 for further details). The geographical analysis is stated on the basis of origin of operations.

(a) Primary reporting format – Geographical segment

Analysis by primary segment is shown below:

(i) Revenue by segment

	2007 £m	2006 £m
UK	**118.4**	128.3
US	**47.6**	60.1
Revenue between segments	**(0.3)**	(0.3)
Total continuing operations	**165.7**	188.1

Inter-segment pricing is determined on an arm's length basis.

(ii) Revenue by destination

The Group's primary segments are based on the geographical location of segment assets, which can differ from the geographical market in which the customer is located. An analysis by destination is shown below:

	2007 £m	2006 £m
UK	**95.3**	104.2
US	**51.8**	63.4
Mainland Europe	**10.5**	11.6
Rest of the world	**8.4**	9.2
Revenue between segments	**(0.3)**	(0.3)
Total continuing operations	**165.7**	188.1

(iii) Operating profit/(loss) by segment

	2007 £m	2006 £m
UK	**13.7**	(19.7)
US	**1.9**	(10.2)
Central costs	**(3.5)**	(4.1)
Operating profit/(loss) on continuing operations	**12.1**	(34.0)

(iv) Assets and liabilities by segment

	Segment assets		Segment liabilities		Segment net assets	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
UK	**133.4**	135.9	**(70.1)**	(80.4)	**63.3**	55.5
US	**31.4**	36.2	**(20.2)**	(26.0)	**11.2**	10.2
Discontinued operations	**–**	13.5	**–**	(15.6)	**–**	(2.1)
Total	**164.8**	185.6	**(90.3)**	(122.0)	**74.5**	63.6

1. Segmental reporting (continued)

(v) Other segment information

	Capital expenditure 2007 £m	Capital expenditure 2006 £m	Depreciation and amortisation 2007 £m	Depreciation and amortisation 2006 £m	Impairment charges 2007 £m	Impairment charges 2006 £m	Exceptional items 2007 £m	Exceptional items 2006 £m
UK	**3.9**	3.2	**4.0**	5.7	**–**	22.8	**(2.2)**	6.7
US	**0.9**	4.7	**1.7**	1.9	**–**	10.2	**0.5**	0.6
Continuing operations	**4.8**	7.9	**5.7**	7.6	**–**	33.0	**(1.7)**	7.3
Discontinued operations	**0.1**	0.1	**0.1**	0.3	**–**	12.0	**(5.9)**	1.9
Total	**4.9**	8.0	**5.8**	7.9	**–**	45.0	**(7.6)**	9.2

Other than the items disclosed above and a share-based payments charge of £0.9m (2006: £0.7m) there were no other significant non-cash expenses during the year.

(b) Secondary reporting format – Business segment

After geographical location, the Group is managed into four principal business segments. During the year, the Group revised its principal business segments to reflect better the way in which the Group is managed. Comparative numbers are restated on this new basis. Each business segment comprises groups of individual magazines, websites, and events, combined according to the market sector in which they operate.
The Group considers that the assets within each segment are exposed to the same risks.

(i) Revenue by segment

	2007 £m	2006 £m
Games	**49.0**	53.6
Music & Movies	**37.5**	42.0
Technology	**43.6**	45.3
Active	**35.9**	47.5
Revenue between segments	**(0.3)**	(0.3)
Total continuing operations	**165.7**	188.1

(ii) Gross profit by segment

	2007 £m	2006 £m
Games	**13.5**	13.4
Music & Movies	**9.2**	9.8
Technology	**13.0**	13.9
Active	**6.1**	5.3
Add back: distribution expenses	**11.2**	13.7
Total continuing operations	**53.0**	56.1

Information regarding operating profit, total costs incurred during the year to acquire, and total carrying amount of, segment assets would require arbitrary allocation and is therefore not provided.

2. Revenue

An additional analysis of the Group's revenue is shown below:

	2007 £m	2006 £m
Circulation	**99.3**	111.9
Advertising	**59.8**	70.2
Licensing, events and other	**6.6**	6.0
Total continuing operations	**165.7**	188.1

3. Operating profit/(loss) on continuing operations

	2007 £m	2006 £m
Revenue	**165.7**	188.1
Cost of sales	**(112.7)**	(132.0)
Gross profit	**53.0**	56.1
Distribution expenses	**(11.2)**	(13.7)
Administration expenses (including exceptional items)	**(26.1)**	(37.6)
Impairment of intangible assets	**–**	(33.0)
Amortisation of intangible assets	**(3.6)**	(5.8)
Operating profit/(loss) on continuing operations	**12.1**	(34.0)

4. Profit/(loss) before tax

	2007 £m Continuing	2007 £m Total	2006 £m Continuing	2006 £m Total
Profit/(loss) before tax is stated after charging/(crediting):				
Employee costs (note 6)	**49.2**	**55.8**	51.3	60.2
Depreciation of owned assets (note 12)	**2.1**	**2.2**	1.8	2.0
Impairment of intangible assets (note 13)	**–**	**–**	33.0	45.0
Amortisation of intangible assets (note 13)	**3.6**	**3.6**	5.8	5.9
Hire of machinery and equipment	**0.2**	**0.3**	0.2	0.3
Other operating lease rentals	**3.5**	**4.0**	4.6	5.3
Exceptional items (credit)/charge (note 5)	**(1.7)**	**(7.6)**	7.3	9.2
Net exchange differences on foreign currency balances	**0.1**	**0.1**	–	–

The difference between continuing and total relates to items associated with discontinued operations.

Fees paid to auditors

	2007 £m	2006 £m
Audit fees in respect of the audit of the accounts of the Company	**0.1**	0.1
Audit fees in respect of the audit of the accounts of subsidiaries of the Company	**0.2**	0.2
Fees for other services supplied pursuant to legislation	**–**	0.1
	0.3	0.4
Services relating to taxation	**0.1**	0.1
Services relating to corporate finance transactions	**0.1**	0.1
Other services	**0.1**	–
Total fees	**0.6**	0.6

5. Exceptional items on continuing operations

	2007 £m	2006 £m
Property (credit)/charge	**(1.7)**	4.0
Restructuring and redundancy costs	**0.9**	3.3
Other costs	**0.1**	–
Profit on disposals of magazine titles and trademarks	**(1.0)**	–
Total	**(1.7)**	7.3

The property credit consists mainly of the reversal of provisions made in respect of leases on office space in London and Bath vacated in 2006. These leases have been surrendered, sub-let or assigned during 2007.

Restructuring and redundancy costs relate mainly to staff termination payments following restructuring of the UK and US businesses in line with the Group's strategy.

The profit on disposal is in respect of magazine titles and trademarks sold in the UK and US.

6. Employees

	2007 £m Continuing	2007 £m Total	2006 £m Continuing	2006 £m Total
Wages and salaries	**42.1**	**46.8**	44.0	50.4
Social security costs	**5.1**	**6.9**	5.6	7.9
Other pension costs	**1.1**	**1.2**	1.0	1.2
Share option schemes				
– Value of employees' services	**0.9**	**0.9**	0.7	0.7
Total staff costs	**49.2**	**55.8**	51.3	60.2

	2007 No.	2006 No.
Average monthly number of people for the total Group (including executive Directors)		
Production	**1,125**	1,219
Administration	**313**	342
Total	**1,438**	1,561

At 30 September 2007, the actual number of people employed by the Group was 1,222 (2006: 1,577) of whom 1,029 were employed in the UK and 193 in the US.

The average number of people employed by the Company during the year was 20 (2006: 21).

IFRS 2 'Share-based Payment' requires an expense for equity instruments granted to be recognised over the appropriate vesting period, measured at their fair value at the date of grant.

The Group has used the Black-Scholes model to value instruments with non market-based performance criteria such as earnings per share. For instruments with market-based performance criteria, notably total shareholder return, the Group has used a Monte Carlo model to determine the fair value. Further details are given in note 25.

The expense for the year of £0.9m (2006: £0.7m) has been credited to reserves.

Key management personnel compensation

	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Salaries and other short-term employee benefits	**1.2**	**1.2**	0.9	0.9
Post-employment benefits	**0.1**	**0.1**	0.1	0.1
Termination benefits	**–**	**–**	0.5	0.5
Share-based payments	**0.3**	**0.3**	0.2	0.2
Total	**1.6**	**1.6**	1.7	1.7

Key management personnel are deemed to be the members of the Board of Future plc. It is this Board which has responsibility for planning, directing and controlling the activities of the Group.

Further details on the Directors' remuneration and interests are given in the Directors' remuneration report on pages 41 to 50. The highest paid Director during the year was Stevie Spring (2006: Greg Ingham) and details of her remuneration are shown on page 47.

7. Finance income and costs

	2007 £m	2006 £m
Interest receivable	**0.6**	0.4
Total finance income	**0.6**	0.4
Interest payable on interest-bearing loans and borrowings	**(3.2)**	(3.1)
Exchange losses	**(0.1)**	–
Rearrangement fees for bank loans	**(0.2)**	–
Total finance costs	**(3.5)**	(3.1)
Net finance costs on continuing operations	**(2.9)**	(2.7)

8. Tax on profit/(loss)

The tax charged/(credited) in the consolidated income statement for continuing operations is analysed below:

	2007 £m	2006 £m
UK corporation tax		
Current tax at 30% (2006: 30%) on the profit/(loss) for the year	**2.0**	(0.6)
Adjustments in respect of previous years	**0.1**	(0.4)
	2.1	(1.0)
Foreign tax		
Current tax on the profit/(loss) for the year	**0.2**	0.6
Adjustments in respect of previous years	**(0.5)**	0.7
Current tax	**1.8**	0.3
Deferred tax origination and reversal of timing differences		
Current year charge/(credit)	**0.3**	(2.2)
Adjustments in respect of previous years	**(0.3)**	–
Deferred tax	**–**	(2.2)
Total tax charge/(credit) on continuing operations	**1.8**	(1.9)

Tax on items charged to equity is analysed below:

	2007 £m	2006 £m
Deferred tax – on share scheme notional gains charged to reserves	**–**	0.1

The Group is awaiting the outcome of a claim in respect of losses incurred in EU-based subsidiaries which, if successful, would give rise to a tax credit and repayment of an amount in the region of £1.5m. Due to the legal complexity and uncertainty of success the claim has not been reflected in these financial statements.

The tax assessed in each year differs from the standard rate of corporation tax in the UK for the relevant year. The differences are explained below:

	2007 £m	2006 £m
Profit/(loss) before tax	**9.2**	(36.7)
Profit/(loss) before tax at the standard UK tax rate of 30%	**2.8**	(11.0)
Different tax rates applicable overseas	**0.2**	–
Intangibles: differences relating to amortisation	**0.1**	(0.9)
Intangibles: differences relating to impairment	**–**	9.9
Tangibles: differences relating to depreciation	**(0.2)**	–
Losses generated and unutilised	**–**	0.3
Utilisation of brought forward losses	**–**	0.2
Other allowable/disallowable items	**(0.2)**	(0.7)
Profits relieved by capital losses	**(0.2)**	–
Impact of prior year adjustments	**(0.7)**	0.3
Total tax charge/(credit) on continuing operations	**1.8**	(1.9)

9. Dividends

	2007	2006
Equity dividends		
Number of shares in issue at end of year (million)	**326.6**	326.5
Dividends paid in year (pence per share)	**1.0**	1.8
Dividends paid in year (£m)	**3.2**	5.9

In accordance with IFRS, interim dividends are recognised in the period in which they are paid and final dividends are recognised in the period in which they are approved.

A final dividend in respect of the year ended 30 September 2007 of 0.6p per share, with a cash cost of £2.0m, is to be proposed at the Annual General Meeting on 29 January 2008. These financial statements do not reflect the cost of this proposed final dividend.

The dividends totalling £3.2m paid during the year ended 30 September 2007 relate to the interim dividend for the six month period to 31 March 2007 of 0.5p per share (£1.6m) and the final dividend declared for the year ended 30 September 2006 of 0.5p per share (£1.6m).

The dividends totalling £5.9m paid during the year ended 30 September 2006 relate to the interim dividend for the six month period to 31 March 2006 of 0.5p per share (£1.7m) and the final dividend declared for the year ended 30 September 2005 of 1.3p per share (£4.2m).

10. Earnings per share

Basic earnings per share are calculated using the weighted average number of Ordinary shares in issue during the year. Diluted earnings per share have been calculated by taking into account the dilutive effect of shares that would be issued on conversion into Ordinary shares of options held under employee share schemes.

Total Group	2007	2006
Profit/(loss) after tax (£m)	**14.2**	(47.2)
Weighted average number of shares in issue during the year:		
– Basic	**324,645,517**	325,697,195
– Dilutive effect of share options	**5,168,274**	1,435,955
– Diluted	**329,813,791**	327,133,150
Basic earnings/(loss) per share (in pence)	**4.4**	(14.5)
Diluted earnings/(loss) per share (in pence)	**4.3**	(14.5)

Continuing operations	2007	2006
Profit/(loss) after tax (£m)	**7.4**	(34.8)
Weighted average number of shares in issue during the year:		
– Basic	**324,645,517**	325,697,195
– Dilutive effect of share options	**5,168,274**	1,435,955
– Diluted	**329,813,791**	327,133,150
Basic earnings/(loss) per share (in pence)	**2.3**	(10.7)
Diluted earnings/(loss) per share (in pence)	**2.2**	(10.7)

Discontinued operations	2007	2006
Profit/(loss) after tax (£m)	**6.8**	(12.4)
Weighted average number of shares in issue during the year:		
– Basic	**324,645,517**	325,697,195
– Dilutive effect of share options	**5,168,274**	1,435,955
– Diluted	**329,813,791**	327,133,150
Basic earnings/(loss) per share (in pence)	**2.1**	(3.8)
Diluted earnings/(loss) per share (in pence)	**2.1**	(3.8)

The share options do not have a dilutive effect where there is a loss.

11. Assets held for sale and discontinued operations

The profit/(loss) for the year from discontinued operations is analysed below:

	2007 £m	2006 £m
France	**0.7**	1.3
Italy	**0.1**	0.3
Operating profit before exceptional items, impairment and amortisation of intangible assets	**0.8**	1.6
Exceptional items	**1.4**	(1.9)
Impairment of intangible assets	**–**	(12.0)
Amortisation of intangible assets	**–**	(0.1)
Operating profit/(loss)	**2.2**	(12.4)
Net finance income	**0.2**	0.1
Profit/(loss) on discontinued operations before tax	**2.4**	(12.3)
Tax on profit/(loss) on discontinued operations	**(0.1)**	(0.1)
Profit/(loss) after tax from discontinued operations	**2.3**	(12.4)
Gain on sale of operations	**4.5**	–
Tax on sale of operations	**–**	–
Gain on sale of operations after tax	**4.5**	–
Profit/(loss) from discontinued operations	**6.8**	(12.4)

11. Assets held for sale and discontinued operations (continued)

(i) Disposal of Future Media Italy

During the year, the Group disposed of its interest in Future Media Italy and as such the results of Future Media Italy have been included within 'discontinued operations'. The business was sold for cash proceeds of £0.7m, resulting in a profit on disposal of £0.1m.

During the year Future Media Italy reduced the Group's operating cash flows by £1.3m, paid £nil in respect of investing activities and paid £nil in respect of financing activities.

The results of Future Media Italy are set out below:

	2007 £m	2006 £m
Revenue	**2.2**	12.8
Operating profit before exceptional items, impairment and amortisation of intangible assets	**0.1**	0.3
Exceptional items	**–**	(0.2)
Impairment of intangible assets	**–**	(12.0)
Amortisation of intangible assets	**–**	(0.1)
Operating profit/(loss)	**0.1**	(12.0)
Profit/(loss) before tax	**0.1**	(12.0)
Tax on profit/(loss)	**–**	–
Profit/(loss) after tax from discontinued operations	**0.1**	(12.0)
Gain on sale of operations	**0.1**	–
Tax on sale of operations	**–**	–
Gain on sale of operations after tax	**0.1**	–
Profit/(loss) from discontinued operations	**0.2**	(12.0)

An analysis of the assets and liabilities of Future Media Italy at the disposal date of 1 December 2006 is set out below:

	£m
Property, plant and equipment	0.1
Inventories	0.6
Trade and other receivables	3.3
Cash and cash equivalents	0.6
Trade and other payables	(4.2)
Net assets at disposal	**0.4**

(ii) Disposal of Future France

During the year, the Group disposed of its interest in Future France and as such the results of Future France have been included within 'discontinued operations'. The business was sold for cash proceeds of £9.3m of which £1.0m relates to licence income received in advance, resulting in a profit on disposal of £4.4m. Of the disposal proceeds £4.0m is receivable subsequent to balance sheet date.

During the year Future France increased the Group's operating cash flows by £0.3m, paid £0.1m in respect of investing activities and paid £nil in respect of financing activities.

The results of Future France are set out below:

	2007 £m	2006 £m
Revenue	**21.0**	24.0
Operating profit before exceptional items, impairment and amortisation of intangible assets	**0.7**	1.3
Exceptional items	**1.4**	(1.7)
Operating profit/(loss)	**2.1**	(0.4)
Net finance income	**0.2**	0.1
Profit/(loss) before tax	**2.3**	(0.3)
Tax on profit/(loss)	**(0.1)**	(0.1)
Profit/(loss) after tax from discontinued operations	**2.2**	(0.4)
Gain on sale of operations	**4.4**	–
Tax on sale of operations	**–**	–
Gain on sale of operations after tax	**4.4**	–
Profit/(loss) from discontinued operations	**6.6**	(0.4)

11. Assets held for sale and discontinued operations (continued)

An analysis of the assets and liabilities of Future France at the disposal date of 28 September 2007 is set out below:

	£m
Intangible assets	0.9
Property, plant and equipment	0.2
Deferred tax asset	0.4
Inventories	0.6
Corporation tax receivable	0.5
Trade and other receivables	8.6
Cash and cash equivalents	2.1
Trade and other payables	(10.1)
Provisions	(0.5)
Net assets at disposal	**2.7**

12. Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Equipment, fixtures and fittings £m	Total £m
Cost				
At 1 October 2005	2.4	6.6	1.6	10.6
Additions	1.6	2.0	1.0	4.6
Disposals	–	(4.1)	(0.4)	(4.5)
Exchange adjustments	(0.1)	(0.1)	–	(0.2)
At 30 September 2006	**3.9**	**4.4**	**2.2**	**10.5**
Additions	**0.1**	**1.1**	**0.1**	**1.3**
Disposals	**(0.4)**	**(0.9)**	**(0.2)**	**(1.5)**
Exchange adjustments	**(0.1)**	**(0.1)**	**(0.1)**	**(0.3)**
At 30 September 2007	**3.5**	**4.5**	**2.0**	**10.0**
Depreciation				
At 1 October 2005	(0.9)	(4.9)	(1.1)	(6.9)
Charge for the year	(0.3)	(1.4)	(0.3)	(2.0)
Disposals	–	4.1	0.4	4.5
Exchange adjustments	0.1	–	–	0.1
At 30 September 2006	**(1.1)**	**(2.2)**	**(1.0)**	**(4.3)**
Charge for the year	**(0.3)**	**(1.6)**	**(0.3)**	**(2.2)**
Disposals	**0.3**	**0.8**	**0.1**	**1.2**
Exchange adjustments	**–**	**0.1**	**0.1**	**0.2**
At 30 September 2007	**(1.1)**	**(2.9)**	**(1.1)**	**(5.1)**
Net book value at 30 September 2007	**2.4**	**1.6**	**0.9**	**4.9**
Net book value at 30 September 2006	2.8	2.2	1.2	6.2

Asset lives and residual values are reviewed annually.

Land and buildings at net book value comprise:

	Group 2007 £m	Group 2006 £m
Leasehold:		
Over 50 years unexpired	**1.0**	1.0
Under 50 years unexpired	**1.4**	1.8
Total	**2.4**	2.8

13. Intangible assets

Group	Goodwill £m	Magazine and website £m	Other £m	Total £m
Cost				
At 1 October 2005	363.7	14.2	1.8	379.7
Additions through business combinations	1.4	1.0	–	2.4
Other additions	–	–	0.9	0.9
Adjustments to fair value on prior year acquisitions	0.1	–	–	0.1
Disposals	–	–	(0.2)	(0.2)
Exchange adjustments	(1.6)	(0.1)	–	(1.7)
At 30 September 2006	**363.6**	**15.1**	**2.5**	**381.2**
Additions through business combinations	**2.3**	**0.3**	**–**	**2.6**
Other additions	**–**	**–**	**1.0**	**1.0**
Disposals	**(58.4)**	**(2.7)**	**(0.4)**	**(61.5)**
Exchange adjustments	**(1.9)**	**(0.2)**	**(0.1)**	**(2.2)**
At 30 September 2007	**305.6**	**12.5**	**3.0**	**321.1**
Amortisation				
At 1 October 2005	(216.4)	(1.5)	(1.6)	(219.5)
Charge for the year	–	(5.7)	(0.2)	(5.9)
Impairment charges	(43.1)	(1.9)	–	(45.0)
Disposals	–	–	0.1	0.1
Exchange adjustments	0.6	0.1	–	0.7
At 30 September 2006	**(258.9)**	**(9.0)**	**(1.7)**	**(269.6)**
Charge for the year	**–**	**(3.0)**	**(0.6)**	**(3.6)**
Disposals	**57.5**	**2.7**	**0.2**	**60.4**
Exchange adjustments	**0.6**	**0.1**	**0.1**	**0.8**
At 30 September 2007	**(200.8)**	**(9.2)**	**(2.0)**	**(212.0)**
Net book value at 30 September 2007	**104.8**	**3.3**	**1.0**	**109.1**
Net book value at 30 September 2006	104.7	6.1	0.8	111.6

Magazine and website related assets have been recognised and relate mainly to trademarks, advertising relationships and customer lists. These assets are amortised over their estimated economic lives, typically ranging between one and five years.

Any residual amount arising as a result of the purchase consideration being in excess of the value of identified magazine related assets is recorded as goodwill. Goodwill is not amortised under IFRS, but is subject to impairment testing either annually or on the occurrence of some triggering event. Goodwill is recorded and tested for impairment on a territory by territory basis.

Other intangibles relate to capitalised software costs and website development costs.

Impairment tests for goodwill and other intangibles

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired.

Other intangible assets with a definite life are tested for impairment only where there is an indication that an impairment may have occurred. The Group does not have any other intangible assets with indefinite lives.

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units (CGUs) on a geographical basis:

	2007 £m	2006 £m
UK	**89.1**	86.8
US	**15.7**	17.0
France	**–**	0.9
Italy	**–**	–
Total	**104.8**	104.7

13. Intangible assets (continued)

The recoverable amount of a CGU is based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond five years are assumed to be constant. An appropriate discount rate of 13.4% (2006: 13.4%), representing the Group's current pre-tax cost of capital, has been applied to these projections.

At 30 September 2007 the Group performed its annual impairment test on goodwill using the above discount rate for value-in-use calculations. These tests concluded that no impairment is required.

The value-in-use calculations are sensitive to changes in the discount rate. If the assumed discount rate had been 18.3% for all CGUs, the goodwill allocated to our operations in the UK and the US would have been impaired by £3.0m and £0.4m respectively.

During 2006, the Group performed an impairment test on the goodwill and other intangible assets of its UK, US and Italian subsidiaries as a result of adverse trading performance particularly in respect of some of the acquired Highbury businesses in the UK. Consequently, an impairment charge of £22.8m was recognised in our UK segment, £10.2m was recognised in our US segment and £12.0m was recognised in relation to Italy.

14. Investments

Company	2007 £m	2006 £m
Shares in Group undertakings		
At beginning and end of year	**1.1**	1.1

Investments represent holdings in intermediate holding companies.

15. Deferred tax assets and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior years.

	Intangible assets £m	Share-based payments £m	Depreciation vs tax allowances £m	Tax losses £m	Provisions and other timing differences £m	Total £m
At 1 October 2005	(1.4)	0.2	0.5	0.7	(0.4)	(0.4)
(Charged)/credited to income statement – continuing	0.5	–	0.3	(0.2)	1.6	2.2
Charged to income statement – discontinued operations	–	–	–	(0.1)	–	(0.1)
Charged to equity	–	(0.1)	–	–	–	(0.1)
At 30 September 2006	**(0.9)**	**0.1**	**0.8**	**0.4**	**1.2**	**1.6**
(Charged)/credited to income statement – continuing	**(0.3)**	**0.2**	**0.3**	**–**	**(0.2)**	**–**
Disposals	**–**	**–**	**–**	**(0.4)**	**–**	**(0.4)**
Exchange adjustments	**(0.1)**	**–**	**–**	**–**	**(0.1)**	**(0.2)**
At 30 September 2007	**(1.3)**	**0.3**	**1.1**	**–**	**0.9**	**1.0**

The deferred tax asset recognised on the Company's balance sheet is in respect of share-based payments.

Certain deferred tax assets and liabilities have been offset against each other where they relate to the same jurisdiction. The following is the analysis of deferred tax balances after offset for balance sheet purposes:

	2007 £m	2006 £m
Deferred tax assets	**2.9**	3.5
Deferred tax liabilities	**(1.9)**	(1.9)
Net deferred tax asset	**1.0**	1.6

15. Deferred tax assets and liabilities (continued)

The deferred tax asset of £2.9m (2006: £3.5m) is disclosed as a non-current asset of which the assets due within one year total £0.4m (2006: £1.3m). The deferred tax liability of £1.9m (2006: £1.9m) is disclosed as a non-current liability of which the liabilities due within one year total £0.2m (2006: £0.3m).

The Group has unprovided deferred tax assets on tax losses totalling £1.5m (2006: £6.3m), of which £nil (2006: £4.2m) were held in Italy.

The Group also has unprovided deferred tax assets on other temporary differences totalling £0.6m (2006: £4.4m) that are considered unlikely to be utilised in the foreseeable future due to uncertainty over the utilisation of losses and other deductions in certain tax jurisdictions.

The Company had no unprovided deferred tax assets or liabilities at 30 September 2007 (2006: £nil).

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where it is probable that these assets will be recovered.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as any remitted earnings would not give rise to a tax liability in the foreseeable future.

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement. Some were enacted in the 2007 Finance Act and have been taken account of in these financial statements. Other changes are expected to be enacted in the 2008 Finance Act. As these changes had not been substantively enacted at the balance sheet date they are not included in these financial statements.

The effect of the changes enacted in the Finance Act 2007 was to reduce the deferred tax liability provided at 30 September 2007 by £0.1m in 2007, due to the reduction in the corporation tax rate from 30% to 28% with effect from 1 April 2008.

16. Inventories

	2007 £m	2006 £m
Raw materials	**0.7**	1.6
Work in progress	**1.9**	2.3
Finished goods	**0.5**	1.0
Total	**3.1**	4.9

Inventory is stated after impairment of £nil (2006: £0.1m).

The cost of raw material inventories recognised as an expense and included within cost of sales amounted to £15.2m (2006: £19.7m).

17. Trade and other receivables

	Group 2007 £m	**Company 2007 £m**	Group 2006 £m	Company 2006 £m
Current assets:				
Trade receivables	**21.9**	**–**	31.2	–
Amounts owed by Group undertakings	**–**	**187.5**	–	185.6
Other receivables	**4.5**	**0.1**	1.4	–
Prepayments and accrued income	**3.7**	**0.1**	4.0	–
	30.1	**187.7**	36.6	185.6
Non-current assets:				
Other receivables	**0.1**	**–**	0.2	–
Total	**30.2**	**187.7**	36.8	185.6

Trade receivables are shown net of a provision for impairment amounting to £1.4m (2006: £3.0m). The charge in the income statement was £nil (2006: £1.4m) for the year.

18. Cash and cash equivalents

	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Cash at bank and in hand	14.2	1.1	17.9	19.5
Short-term bank deposits	–	–	2.1	2.1
Cash and cash equivalents	14.2	1.1	20.0	21.6

The effective interest rate on short-term deposits was 5.1% (2006: 4.1%). These deposits have an average maturity period of one day (2006: one day).

19. Trade and other payables

	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Trade payables	14.9	–	19.0	–
Amounts owed to Group undertakings	–	56.3	–	53.9
Other taxation and social security	1.2	–	3.0	–
Other payables	6.0	–	6.7	–
Accruals and deferred income	22.8	2.4	30.2	1.5
Total	44.9	58.7	58.9	55.4

20. Financial liabilities – interest-bearing loans and borrowings

Non-current liabilities

	Interest rate at 30 Sept 2007	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Sterling term loan – unsecured	7.3%	21.8	21.8	25.8	25.8
Total		21.8	21.8	25.8	25.8

The Group reduced its interest rate risk, with an interest rate swap on £15m of the outstanding debt under its committed facility, expiring October 2007. The swap had a fixed interest rate of 4.38%. Further details are provided in note 23.

Current liabilities

	Interest rate at 30 Sept 2007	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Sterling term loan – unsecured	7.3%	4.0	4.0	4.0	4.0
Sterling revolving loan – unsecured	7.3%	3.9	3.9	12.8	12.8
US Dollar revolving loan – unsecured	6.4%	8.8	–	10.2	–
Total		16.7	7.9	27.0	16.8

The interest-bearing loans and borrowings are repayable as follows:

	Group 2007 £m	Company 2007 £m	Group 2006 £m	Company 2006 £m
Within one year	16.7	7.9	27.0	16.8
Between one and two years	4.0	4.0	4.0	4.0
Between two and five years	17.8	17.8	21.8	21.8
Total	38.5	29.7	52.8	42.6

The borrowings and interest are guaranteed by Future plc, Future Publishing Limited and Future US, Inc.

Further details of the Group's borrowings are given in note 23.

21. Provisions

Group	Property and dilapidations £m	Redundancy provisions £m	Other £m	Total £m
At 1 October 2006	4.4	1.2	–	5.6
Charge in the year	0.1	–	1.1	1.2
Disposals	–	(0.5)	–	(0.5)
Released in the year	(1.9)	(0.7)	–	(2.6)
Utilised in the year	(2.3)	–	–	(2.3)
At 30 September 2007	**0.3**	**–**	**1.1**	**1.4**

Following the significant acquisition activity that took place during 2005, the Group had obligations under short leasehold agreements on a number of vacant properties. During the year the majority of these leases have been assigned, sub-let or surrendered. The provisions previously made represented the following:

- The Directors' best estimate of the discounted future net cash flows arising from the net shortfall on the leases held
- The Directors' best estimate of dilapidation obligations on termination of specific leasehold agreements

At 30 September 2007 the total amount of provision was £0.3m (2006: £4.4m). The provisions have been discounted at a rate in line with the Group's cost of capital which is 9.5%.

Other provisions relate to liabilities associated with disposals made during 2007.

Provisions of £1.1m (2006: £nil) for the Company relate to disposals made during 2007.

22. Other non-current liabilities

Group	2007 £m	2006 £m
Other creditors	**2.4**	2.6

Other creditors consist mainly of deferred subscription revenue and a deferred property lease liability.

23. Financial instruments

Treasury overview

The Group uses financial instruments to raise funding for its operations and to manage the financial risks arising from those operations. The agreements governing the principal instruments entered into were approved by the Board.

The principal financing and treasury exposures faced by the Group arise from working capital management, the financing of acquisitions and property, plant and equipment, the management of interest rates on the Group's debt, the investment of surplus cash and management of the Group's debt facilities. The Group manages these exposures with the objective of remaining within ratios covenanted by the Group's bankers. These ratios are disclosed on page 21.

The Group has funded the business largely from cash flows generated from operations and long-term debt. Details of the Group's borrowings are disclosed in note 20.

The Group has a number of authorised counterparties with whom cash balances are held in the countries in which the Group operates. Credit risk is minimised by considering the credit standing of all potential bankers before selecting them.

A proportion of the Group's activities are carried out in countries outside the UK where transactions are carried out in that country's own functional currency. Movements in exchange rates can therefore have a significant impact on the Group's total cash flows, whilst the translation of the results, assets and liabilities of foreign subsidiaries into Sterling can have a significant effect on the Group's reported profits and balance sheet. The main exposures are to movements in the US Dollar and Euro against Sterling. The composition of the Group's debt partially offsets exchange fluctuations as 23% of gross debt and 20% of interest expense are denominated in US Dollars.

23. Financial instruments (continued)

Currency profile and interest rate risk

The currency and interest rate profile of the Group's financial assets and liabilities is shown below:

	Financial assets			Financial liabilities			
	Floating rate £m	Non-interest bearing £m	Total £m	Floating rate £m	Non-interest bearing £m	Total £m	Net financial liabilities £m
At 30 September 2006							
Currency:							
Sterling	2.0	26.3	28.3	(42.6)	(24.2)	(66.8)	(38.5)
US Dollar	0.9	10.9	11.8	(10.2)	(8.7)	(18.9)	(7.1)
Euro	1.8	7.6	9.4	–	(11.2)	(11.2)	(1.8)
Other	0.2	1.5	1.7	–	–	–	1.7
Total	**4.9**	**46.3**	**51.2**	**(52.8)**	**(44.1)**	**(96.9)**	**(45.7)**
At 30 September 2007							
Currency:							
Sterling	**5.9**	**12.7**	**18.6**	**(29.7)**	**(23.9)**	**(53.6)**	**(35.0)**
US Dollar	**0.9**	**9.1**	**10.0**	**(8.8)**	**(5.9)**	**(14.7)**	**(4.7)**
Euro	**0.4**	**9.3**	**9.7**	**–**	**(4.0)**	**(4.0)**	**5.7**
Other	**–**	**1.8**	**1.8**	**–**	**–**	**–**	**1.8**
Total	**7.2**	**32.9**	**40.1**	**(38.5)**	**(33.8)**	**(72.3)**	**(32.2)**

At the year-end, the Group's financial assets comprised cash of £14.2m (2006: £17.9m), short-term deposits of £nil (2006: £2.1m), trade receivables of £21.9m (2006: £31.2m) and other debtors of £4.0m (2006: £nil).

At 30 September 2007, the Group's principal financial liabilities comprised £38.5m (2006: £52.8m) under its committed multi-currency revolving and term loan facility, trade payables of £14.9m (2006: £19.0m), other creditors of £6.0m (2006: £6.6m) and accruals of £12.9m (2006: £18.5m). The Group has no drawings outstanding on short-term overdraft facilities at the year-end (2006: £nil).

Total financial liabilities are shown net of unamortised costs which amounted to £0.1m (2006: £0.1m).

At 30 September 2007, the Group had monetary assets and liabilities denominated in Euros relating to the disposal of Future France.

There is no material difference between carrying value and fair value of the Group's financial assets and financial liabilities.

Interest rate profile

Details of year-end interest rates on borrowings are set out in note 20.

The Board's overall policy on interest rate hedging is as follows:

- To the extent that net debt is below £10m there is no requirement to hedge against interest rate fluctuations on the balance of the gross debt
- To the extent that net debt is above £10m a minimum of 25% of the balance of the gross debt greater than £10m should be hedged

In applying the above policy, management takes full consideration of cash flow projections to fix the period for which any hedging arrangements are entered into.

In line with the Board's existing policy of hedging interest rate risk, the Group reduced its exposure on a proportion (£15m) of the outstanding debt under its committed facility for two years, expiring October 2007. The swap had a fixed interest rate of 4.38%. At 30 September 2007 and 30 September 2006 the swap had only a nominal value. In October 2007 the Group entered into a further interest rate swap for two years on US $8.0m of its debt. The swap has a fixed interest rate of 4.67%. Also in October 2007 the Group entered into an interest rate collar for seven years over £5.0m which is cancellable by the bank after four years. The collar has a cap at 6.00% and a floor of 4.65%.

Borrowing facilities and liquidity risk

The Group has maintained committed banking facilities to mitigate any liquidity risk it may face. The Group had an undrawn credit facility of £19.5m at 30 September 2007 (2006: £37.2m). The facility expires in April 2010.

Market price risk

The Group has no fixed asset investments at 30 September 2007 (2006: £nil).

Credit risk

Receivable balances from the two main magazine distributors represented 32% of the Group's trade receivables balance at 30 September 2007.

24. Issued share capital

	2007 £m	2006 £m
Authorised share capital		
Ordinary shares of 1p each		
At beginning of year	**6.0**	6.0
Increase in the year	**–**	–
At end of year	**6.0**	6.0

	Number of shares	2007 £m
Allotted, issued and fully paid		
Ordinary shares of 1p each		
At 1 October 2006	326,489,646	3.3
Share options exercised	84,007	–
At 30 September 2007	**326,573,653**	**3.3**

During the year, 84,007 Ordinary shares with a nominal value of £840 were issued by the Company for a total cash consideration of £2,997 pursuant to the exercise of share options granted as detailed in note 25.

In 2006, 161,954 Ordinary shares with a nominal value of £1,620 were issued by the Company for a total cash consideration of £0.1m pursuant to the exercise of share options granted as detailed in note 25.

25. Share-based Payments

The income statement charge for the year for share-based payments was £0.9m (2006: £0.7m). This charge has been included within administration expenses.

These charges arise when employees are granted awards under the Group's share option schemes, savings related share schemes, long-term incentive plan (LTIP), performance share plans (PSP), or deferred annual bonus scheme (DABS), and when employees are granted awards by the trustees of The Future Network plc 1999 Employee Benefit Trust (EBT). The charge equates to the fair value of the award, and has been calculated using the Monte Carlo and Black-Scholes models, as appropriate for each scheme. Assumptions have been made in these models for expected volatility, risk-free rates and dividend yields.

The Group has not applied IFRS 2, 'Share-based Payment', retrospectively and therefore it has been applied only to options granted after 7 November 2002 which had not vested before 1 January 2005.

A reconciliation of movements in share options and other share incentive schemes during the year to 30 September 2007 is shown below:

	2007 Number of shares	2007 Weighted average exercise price	2006 Number of shares	2006 Weighted average exercise price
Outstanding at the beginning of the year	**11,538,267**	**£0.379**	11,179,372	£0.600
Granted	**4,853,511**	**£0.146**	5,507,188	£0.078
Share options exercised – new share issues	**(84,007)**	**£0.036**	(161,954)	£0.473
Share options exercised – EBT shares	**(850,447)**	**£0.000**	–	–
Lapsed	**(3,908,263)**	**£0.535**	(4,986,339)	£0.536
Outstanding at 30 September	**11,549,061**	**£0.258**	11,538,267	£0.379
Exercisable at 30 September	**1,839,020**	**£1.112**	2,024,189	£1.153

The weighted average share price at the date of exercise of share options exercised during the year was £0.413 (2006: £0.529).

25. Share-based Payments (continued)

For options and other share incentive schemes outstanding at 30 September the weighted average exercise prices and remaining contractual lives are as follows:

	Number of shares		Weighted average exercise price		Weighted average remaining contractual life in years	
	2007	2006	**2007**	2006	**2007**	2006
Future Publishing Holdings Plan						
July 1998	**95,426**	129,641	**£0.028**	£0.028	**1**	2
April 1999	**87,695**	120,053	**£0.216**	£0.216	**2**	3
International Scheme (excluding US)						
June 1999	**293,844**	334,981	**£3.617**	£3.617	**2**	3
April 2000	**20,085**	20,479	**£7.239**	£7.231	**3**	4
May 2001	**11,816**	13,412	**£0.747**	£0.747	**4**	5
November 2001	**51,170**	71,170	**£0.470**	£0.470	**4**	5
April 2002	**150,000**	150,000	**£0.650**	£0.650	**5**	6
September 2002	**68,085**	68,085	**£0.470**	£0.470	**5**	6
April 2004	**–**	1,230,191	**–**	£0.668	**–**	8
Senior Scheme						
November 2001	**336,170**	336,170	**£0.470**	£0.470	**4**	5
Approved Scheme						
April 2000	**11,272**	16,979	**£6.848**	£6.848	**3**	4
May 2001	**23,193**	27,449	**£0.747**	£0.747	**4**	5
November 2001	**407,910**	412,910	**£0.470**	£0.470	**4**	5
September 2002	**31,915**	31,915	**£0.470**	£0.470	**5**	6
April 2004	**–**	199,809	**–**	£0.665	**–**	8
2000 US Plan						
July 2000	**11,196**	20,054	**$11.202**	$11.202	**3**	4
August 2000	**906**	906	**$12.676**	$12.676	**3**	4
October 2000	**1,740**	2,808	**$8.045**	$8.045	**3**	4
November 2000	**–**	737	**–**	$6.101	**–**	4
December 2000	**1,596**	2,128	**$2.426**	$2.426	**3**	4
April 2001	**–**	532	**–**	$1.201	**–**	5
November 2001	**235,000**	260,000	**£0.470**	£0.470	**4**	5
April 2004	**–**	420,000	**–**	£0.665	**–**	8
Sharesave Plan						
October 2002	**–**	3,780	**–**	£0.500	**–**	–
October 2003	**–**	152,461	**–**	£0.530	**–**	1
December 2004	**277,911**	638,315	**£0.510**	£0.510	**1**	2
December 2005	**295,159**	857,741	**£0.465**	£0.465	**2**	3
December 2006	**2,644,941**	–	**£0.250**	–	**3**	–
2003 LTIP						
April 2004	**–**	442,660	**–**	–	**–**	1
PSP						
February 2005	**742,424**	742,424	**–**	–	**–**	1
January 2006	**1,509,990**	1,509,990	**–**	–	**1**	2
December 2006	**1,776,470**	–	**–**	–	**2**	–
DABS						
February 2005	**230,976**	296,965	**–**	–	**–**	1
June 2005	**12,423**	24,845	**–**	–	**1**	2
January 2006	**346,296**	447,336	**–**	–	**1**	2
December 2006	**172,558**	–	**–**	–	**2**	–
Exceptional Restricted Share Awards						
June 2006	**496,894**	745,341	**–**	–	**–**	1
July 2006	**1,204,000**	1,806,000	**–**	–	**–**	1
Total outstanding at 30 September	**11,549,061**	11,538,267	**£0.258**	£0.379	**2**	3

25. Share-based Payments (continued)

The fair value per share for grants made during the year and the assumptions used in the calculation are as follows:

	2007					2006		
	DABS	PSP	Sharesave	Exceptional Restricted Share Awards	Exceptional Restricted Share Awards	DABS	PSP	Sharesave
Grant date	**01/12/06**	**01/12/06**	**21/12/06**	07/07/06	26/06/06	10/01/06	10/01/06	31/12/05
Share price at grant date	**£0.340**	**£0.340**	**£0.410**	£0.435	£0.402	£0.580	£0.580	£0.580
Exercise price	**–**	**–**	**£0.250**	–	–	–	–	£0.465
Vesting period (years)	**3**	**3**	**3**	1	1	3	3	3
Expected volatility	**35%**	**35%**	**35%**	38%	38%	30%	30%	30%
Option life (years)	**3**	**3**	**3**	1	1	3	3	3
Expected life (years)	**3**	**3**	**3**	1	1	3	3	3
Risk free rate	**5%**	**5%**	**5%**	5%	5%	4%	4%	4%
Dividend yield	**3%**	**3%**	**3%**	4%	5%	3%	3%	3%
TSR correlation	**–**	**10%**	**–**	–	–	–	10%	–
Fair value	**£0.314**	**£0.228**	**£0.178**	£0.409	£0.376	£0.527	£0.337	£0.159
Fair value – EPS element	**–**	**£0.314**	**–**	–	–	–	£0.527	–
Fair value – TSR element	**–**	**£0.141**	**–**	–	–	–	£0.147	–

Notes:
1. The expected volatility is based on Future's historical volatility, averaged over a period equal to the expected life, where possible. No account was taken of the volatility prior to the rights issue in 2001 to eliminate anomalies from the calculation.

2. The Black-Scholes model has been used to value all options with the exception of 50% of the PSP grants which have market based performance criteria; the Monte Carlo model has been used to value these.

Future plc operates eight share option schemes being:
– The Future Publishing Holdings Limited Unapproved Share Option Plan (Future Publishing Holdings Plan)
– The Future Network plc 1999 International Share Option Scheme (International Scheme)
– The Future Network plc 1999 Senior Management Scheme (Senior Scheme)
– The Future Network plc 1999 Approved International Share Option Scheme (Approved Scheme)
– The Future Network plc 2000 US Stock Option Plan (2000 US Plan)
– The Future Network plc International Sharesave Scheme (International Sharesave Scheme)
– Addendum to The Future Network plc International Sharesave Scheme (Addendum)
– The Future Network plc UK Inland Revenue Approved Sharesave Plan 2000 (Sharesave Plan)

As at 30 September 2007, options had been granted under all of the above schemes.

The Future Publishing Holdings Plan

The Future Publishing Holdings Plan was provided to grant options to employees who were employed by Future Publishing Holdings Limited and its subsidiaries. There are no performance criteria attached to options granted under this plan. Since listing of the Company in 1999, no new options have been granted under this plan.

The International Scheme

The International Scheme was used for the grant of options to all employees, save for those persons entitled to participate in the Senior Scheme.

Options granted under this scheme up until 2 May 2001 vested in eight equal tranches, one tranche every six months following publication of the annual and interim results of the Group, depending on the satisfaction of performance criteria that required the normalised earnings per share of the Group to grow by at least 3% per annum above the increase in the Retail Prices Index over the relevant period.

Options granted in November 2001, April 2002, September 2002 and April 2003 under the International Scheme vested three years after the date of grant, subject to satisfaction of performance criteria that required that the total shareholder return of the Company, for the three year period following date of grant, must rank in the top quartile of UK companies whose shares are listed in the Media and Entertainment Sector of the London Share Service of the Financial Times newspaper. If the Company ranks in the second quartile of this comparator group, then only one half of the options would vest; if the Company ranks below the 50th percentile of this comparator group, then none of the options would vest.

The options granted in November 2001, April 2002, and September 2002 each vested 50%.

The options granted in April 2003 lapsed.

Options granted in April 2004 would have vested three years after the date of grant, subject to satisfaction of performance criteria that require growth in pre-goodwill amortisation earnings per share to reach certain targets. If growth is equal to RPI plus 7%, 100% would vest, if growth is equal to RPI plus 3%, 50% would vest. If the growth is between RPI plus 3% and 7%, the options would vest pro rata. If growth is less than RPI plus 3%, none of the options would have vested.

The options granted in April 2004 lapsed during the year.

No further options will be granted under this scheme.

25. Share-based Payments (continued)

The Senior Scheme

The Senior Scheme was used historically for the grant of options to the Board. Details of options outstanding under this scheme and the performance criteria relating to these options are given in the Directors' remuneration report.

No further options will be granted under this scheme.

The Approved Scheme

The Approved Scheme was used for the grant of options to all UK employees up to a value of £30,000.

Options granted under this scheme up until 2 May 2001 vested in eight equal tranches, one tranche every six months following publication of the annual and interim results of the Group, depending on the satisfaction of performance criteria that required the normalised earnings per share of the Group to grow by at least 3% per annum above the increase in the Retail Prices Index over the relevant period.

Options granted in November 2001, September 2002 and April 2003 under the Approved Scheme vested three years after the date of grant, subject to satisfaction of performance criteria that required that the total shareholder return of the Company, for the three year period following date of grant, must rank in the top quartile of UK companies whose shares are listed in the Media and Entertainment Sector of the London Share Service of the Financial Times newspaper. If the Company ranks in the second quartile of this comparator group, then only one half of the options would vest; if the Company ranks below the 50th percentile of this comparator group, then none of the options would vest.

The options granted in November 2001 and September 2002 each vested 50%.

The options granted in April 2003 lapsed.

Options granted in April 2004 would have vested three years after the date of grant, subject to satisfaction of performance criteria that require growth in pre-goodwill amortisation earnings per share to reach certain targets. If growth is equal to RPI plus 7%, 100% would vest, if growth is equal to RPI plus 3%, 50% would vest. If the growth is between RPI plus 3% and 7%, the options would vest pro rata. If the growth is less than RPI plus 3% then none of the options would have vested.

The options granted in April 2004 lapsed during the year.

No further options will be granted under this scheme.

The 2000 US Plan

The 2000 US Plan, which was adopted at the Company's first Annual General Meeting held on 21 June 2000, was used for the grant of options to employees of the Company's US business.

For options granted under the 2000 US Plan up until 2 May 2001, 25% of the shares under option typically vested on the first anniversary of an employee joining (or, where options were granted under the US Plan to an existing employee, on the anniversary of the grant of such options). The balance of 75% would vest in equal monthly tranches over the three year period commencing on the first vesting date. Whilst the Company had the right to impose performance conditions up until 19 November 2001, none were imposed as it was the Board's view that it was unusual for options granted by US competitors to their US employees to contain such criteria.

Options granted in November 2001 and April 2003 under the 2000 US Plan vested three years after the date of grant, subject to satisfaction of performance criteria that required that the total shareholder return of the Company, for the three year period following date of grant, must rank in the top quartile of UK companies whose shares are listed in the Media and Entertainment Sector of the London Share Service of the Financial Times newspaper. If the Company ranks in the second quartile of this comparator group, then only one half of the options would vest; if the Company ranks below the 50th percentile of this comparator group, then none of the options would vest.

The options granted in November 2001 vested 50%.

The options granted in April 2003 lapsed.

Options granted in April 2004 would have vested three years after the date of grant, subject to satisfaction of performance criteria that required that growth in pre-goodwill amortisation earnings per share to reach certain targets. If growth is equal to RPI plus 7%, 100% would vest, if growth is equal to RPI plus 3%, 50% would vest. If the growth is between RPI plus 3% and 7%, the options would vest pro rata. If growth is less than RPI plus 3% then none of the options would have vested.

The options granted in April 2004 lapsed during the year.

No further options will be granted under this scheme.

The Sharesave Plan, International Sharesave Scheme and the Addendum (the Sharesave Plans)

Under the Sharesave Plans the option entitlement granted to participating employees is linked to the monthly contributions which such employees have agreed to pay into the Sharesave Plans (up to a maximum amount of £250 per month). The options granted under the Sharesave Plan vest on the third anniversary of the grant of such options (or in the case of the Addendum applicable in the US, due to legal constraints, two years after the date of grant of such options). Where legal and regulatory constraints permit, the Company uses its discretion to offer options granted under the Sharesave Plans at a discount to the market price in force at the date of the invitation being made.

The Board exercised its discretion in December 2006 to issue invitations to participate in the Company's Sharesave Plans to eligible employees in the UK only. The option price represents a 20% discount to the market price at the time of the invitation.

25. Share-based Payments (continued)

Other share-based payments

No further share options are to be granted. Instead, the Group has put into place a number of alternative share incentive schemes, approved at the 2005 Annual General Meeting, and made one-off exceptional awards of restricted shares in 2006.

2003 LTIP

Matched awards under this scheme were granted over a number of shares equal to the number of shares purchased by the participants. The vesting of such awards was subject to performance criteria having been met over the three years from the date of the grant. The criteria provide that the matched awards would vest, subject to growth in pre-goodwill amortisation earnings per share, from 50% if growth is equal to RPI plus 3% per annum up to 100% if growth is equal to RPI plus 7% per annum, and pro rata on a straight-line basis between the two. If growth is less than RPI plus 3% then none of the matched awards vest. The 2003 LTIP was open to the executive Directors and certain senior management only.

Only one grant was made under the 2003 LTIP in April 2004.

The awards granted in April 2004 lapsed during the year.

No further awards are to be made under this scheme.

Performance Share Plan (PSP)

The PSP is a share-based incentive scheme open to the executive Directors and senior management, based on a percentage of the participant's salary. Awards under this scheme are subject to stretching performance criteria measured against both earnings per share (EPS) and total shareholder return (TSR). Subject to the participant's continued employment with the Group, awards will vest three years after the date of grant assuming that the following performance criteria are achieved:

- A maximum of 50% of an award will vest if the Group's growth in adjusted EPS is equal to RPI plus 8%, 0% will vest if the Group's growth in adjusted EPS is equal to RPI plus 3%, and vesting will be on a pro rata straight-line basis between the two. If growth in the Group's adjusted EPS is less than RPI plus 3%, none of that 50% of the award will vest.

- The remaining 50% of the award will vest if the Company's TSR performance, compared to a group of similar companies, places it in the top quintile against the comparator companies. If the Company's TSR performance is median, 12.5% of the award will vest, and vesting will be on a pro rata straight-line basis between the two points. If the Company's performance is below median, none of that 50% of the award will vest. The comparator group of companies is as disclosed on page 44 of this Annual Report.

A grant was made under the PSP in December 2006.

Deferred Annual Bonus Scheme (DABS)

The DABS is a share-based incentive scheme, in which the Directors do not participate, with the levels of participation dependent on the relevant operating subsidiary's financial performance during the previous financial year. The maximum value of any shares granted under the DABS to any one participant will be an additional amount which is equal to a fixed percentage of that eligible participant's annual cash bonus actually received or payable for the previous financial year. The number of shares to be awarded to each participant will be calculated by reference to the market value of an Ordinary share in the Company on the date of the award. The shares awarded under the DABS will be issued or transferred to the participant three years after the date of the award, normally subject only to the employee remaining in the employment of the Group throughout the three-year period.

A grant was made under the DABS in December 2006.

2006 Future plc Exceptional Restricted Share Awards

During 2006 exceptional one-off awards were made to the new Chief Executive and, separately, to the Group Finance Director and other key senior managers. The award to S Spring was intended to aid recruitment and retention. The other awards were designed to retain individuals considered key to the business, and were based on a percentage of the participant's salary. The awards were made by The Future Network plc 1999 Employee Benefit Trust (EBT) with funds provided by the Company. The shares awarded under this plan will be transferred by the EBT to the participants in three equal tranches following 31 December 2006, 31 December 2007 and 31 December 2008, subject only to the employees remaining in the employment of the Group on those dates.

The awards were made in June 2006 to S Spring, Chief Executive, and July 2006 to the other participants. No further awards are proposed under this or similar schemes.

One third of the shares awarded were transferred by the EBT to the participants following 31 December 2006.

26. Other reserves

Treasury reserve

The treasury reserve forms part of the retained earnings and represents the cost of shares in Future plc purchased in the market and held by the EBT to satisfy awards made by the trustees.

	Group 2007 £m	Group 2006 £m
Balance at 1 October	**(1.1)**	–
Utilised in the year	**0.4**	–
Acquired in the year	**–**	(1.1)
At 30 September	**(0.7)**	(1.1)

During 2006, Future plc paid £1.1m to Abacus Corporate Trustees Limited as trustees of the EBT, which was used to purchase Future plc shares in the market to satisfy awards made by the trustees. The shares purchased represented 0.8% of the Company's issued share capital. The treasury reserve is non-distributable.

During the year, the Group transferred £0.4m of shares to employees under Restricted Share Awards.

Merger reserve

The merger reserve of £109.0m (2006: £109.0m) arose following the 1999 Group reorganisation and is non-distributable.

27. Acquisitions

Acquisition of cyclingnews.com

On 3 July 2007, the Group's wholly owned subsidiary, Future Publishing (Overseas) Limited, acquired the website and trade of cyclingnews.com for a cash consideration of £2.5m from Knapp Communications Pty Limited.

The impact of the acquisition on the consolidated balance sheet was:

	Book and Fair value £m
Net assets acquired	**–**
Goodwill	2.3
Intangibles:	
– Trademarks	–
– Advertising relationships	0.1
– Non-compete	0.1
	2.5
Consideration	
Consideration satisfied by:	
Cash	2.3
Associated costs	0.2
Total consideration	**2.5**

The goodwill is attributable to the synergies expected in integrating the website into the Group's online strategy.

Included within the Group's results for the year are revenues of £0.2m and operating profit before exceptional items, impairment and amortisation of intangible assets of £nil from cyclingnews.com.

The results of cyclingnews.com during the period since acquisition are detailed above. If this acquisition had been completed on the first day of the financial year, it would have contributed £0.7m of revenue and £nil of operating profit during the year.

28. Pensions

The Group operates a defined contribution scheme for employees resident in the UK.

In the US, the Group operates a section 401(K) profit sharing defined contribution plan in respect of pensions, which covers substantially all Future US employees. The section 401(K) plan allows employees to invest in eight funds run by T. Rowe Price, and the employees, not the employer, have complete control over what they invest in, although they have no control over the stocks owned by the funds.

During the year, £1.1m (2006: £1.0m) contributions were made to these plans.

29. Commitments and contingent liabilities

(a) Operating lease commitments

At 30 September 2007, the Group had the following total future lease payments under non-cancellable operating leases:

	Land and buildings £m	**Other £m**	**Total 2007 £m**	Land and buildings £m	Other £m	Total 2006 £m
Within one year	**3.8**	**0.3**	**4.1**	5.3	0.3	5.6
Between one and five years	**14.9**	**0.2**	**15.1**	18.9	0.4	19.3
After five years	**18.8**	**–**	**18.8**	23.1	–	23.1
Total	**37.5**	**0.5**	**38.0**	47.3	0.7	48.0

Future minimum sub-lease payments expected under non-cancellable subleases at 30 September 2007 total £2.7m (2006: £1.8m).

During the year, £4.1m (2006: £5.4m) was recognised in the income statement in respect of operating lease rental payments and £0.4m (2006: £0.6m) was recognised in respect of sub-lease payments received.

The Group leases various offices under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Group also leases other equipment under non-cancellable operating lease agreements.

(b) Contingent liabilities

There are no contingent liabilities expected to result in a material loss for the Group.

(c) Capital commitments

There were no material capital commitments as at 30 September 2007 (2006: £nil).

30. Related party transactions

The Group has no material transactions with related parties which might reasonably be expected to influence decisions made by users of these financial statements.

31. Principal subsidiary undertakings

The principal subsidiary undertakings at 30 September 2007 are shown below. A full list of subsidiaries is available at the Company's registered office. All subsidiaries are included in the consolidation. Shares of those companies marked with an * are indirectly owned by Future plc through an intermediate holding company.

Company name	Country of Incorporation	Nature of business	Holding %	Class of shares
Subsidiaries				
Future Publishing Limited*	England and Wales	Magazine publishing	100	£1 Ordinary shares
Future US, Inc*	USA (State of California)	Magazine publishing	100	Not applicable

Normalised results (unaudited)

	Note	2007 £m	2006 £m
Revenue	1,4	**159.2**	163.9
Operating profit before exceptional items, impairment and amortisation of intangible assets (EBITAE)	2,4	**13.7**	13.4
Adjusted earnings per share	3	**2.5 pence**	2.2 pence

Normalised results are presented to reflect better the current size and structure of the business. The normalised results exclude revenues and costs of activities closed or divested between 1 October 2005 and 30 September 2007.

Adjusted earnings per share are based on normalised results and exclude exceptional items, impairment and amortisation of intangibles and related tax effects.

Notes to the normalised results

1. Reconciliation of statutory revenue to normalised revenue

	2007 £m	2006 £m
Statutory revenue – Continuing operations	**165.7**	188.1
Adjustment: UK closed and divested activities	**(3.3)**	(12.3)
Adjustment: US closed and divested activities	**(3.2)**	(11.9)
Normalised revenue	**159.2**	163.9

2. Reconciliation of statutory operating profit before exceptional items, impairment and amortisation of intangible assets (EBITAE) to normalised EBITAE

	2007 £m	2006 £m
EBITAE – Continuing operations	**14.0**	12.1
Adjustment: UK closed and divested activities	**0.3**	0.6
Adjustment: US closed and divested activities	**(0.6)**	0.7
Normalised EBITAE	**13.7**	13.4

3. Reconciliation of basic earnings/(loss) per share to adjusted earnings per share

	2007 p	2006 p
Basic earnings/(loss) per share – Continuing operations	**2.3**	(10.7)
UK closed and divested activities	**0.1**	0.1
US closed and divested activities	**(0.1)**	0.1
Amortisation of intangible assets	**1.1**	1.8
Impairment of intangible assets	**–**	10.1
Exceptional items	**(0.5)**	2.2
Tax effect of the above adjustments	**(0.4)**	(1.4)
Adjusted earnings per share	**2.5**	2.2

4. Normalised segmental reporting

a) Revenue by segment

	2007 £m	2006 £m
UK	**115.1**	116.0
US	**44.4**	48.2
Revenue between segments	**(0.3)**	(0.3)
Total normalised revenue	**159.2**	163.9

b) EBITAE by segment

	2007 £m	2006 £m
UK	**14.4**	14.3
US	**2.8**	2.6
Central costs	**(3.5)**	(3.5)
Total normalised EBITAE	**13.7**	13.4

c) Revenue by type

	2007 £m	2006 £m
Circulation	**96.1**	101.3
Advertising	**56.7**	57.0
Licensing, events and other	**6.4**	5.6
Total normalised revenue	**159.2**	163.9

FTSE Media and Entertainment Sector Index (UK companies)

The following is a list of companies currently included in the Media and Entertainment Sector Index (UK companies). Reference is made to this list in the Directors' remuneration report on page 46.

Aegis Group
Bloomsbury Publishing
British Sky Broadcasting
Centaur Holdings
Chime Communications
Chrysalis Group
Creston
Daily Mail 'A'
Emap
Entertainment Rights
Euromoney Institutional Investor
Future
Gcap Media
Haynes Publishing
Huntsworth
Informa
ITE Group
ITV
Johnston Press
Pearson
Pinewood Shepperton
Reed Elsevier
Reuters Group
Rightmove
SMG
Tarsus Group
Taylor Nelson Sofres
Trinity Mirror
United Business Media
UTV Media
Wilmington Group
WPP Group
Yell Group

Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of Future plc will be held on Tuesday 29 January 2008 at Quay House, The Ambury, Bath BA1 1UA at 12 noon at which the following resolutions numbered 1 to 13 will be proposed as ordinary resolutions, and resolutions numbered 14 to 16 will be proposed as special resolutions.

1. To receive and adopt the audited financial statements of the Company for the financial year ended 30 September 2007 and the reports of the Directors and the Auditors.

2. To approve the Remuneration report as set out in the Annual Report of the Company for the financial year ended 30 September 2007.

3. To declare a final dividend of 0.6p per Ordinary share, payable on Wednesday 30 January 2008 to all Ordinary shareholders on the register at the close of business on Friday 4 January 2008.

4. To elect as a Director Seb Bishop.

5. To re-elect as a Director Roger Parry.

6. To re-elect as a Director Stevie Spring.

7. To re-elect as a Director John Bowman.

8. To re-elect as a Director Michael Penington.

9. To re-elect as a Director Patrick Taylor.

10. To re-elect as a Director John Mellon.

11. To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, as auditors of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company.

12. To authorise the Directors to determine the remuneration of the auditors of the Company.

13. That, in substitution for any existing authority, the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ('the Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of that Section) up to the nominal amount of £1,077,000 (representing just under 33% of the issued share capital of the Company as at 28 November 2007) at any time or times during the period beginning on the date of the passing of this resolution and ending following the conclusion of the Company's next Annual General Meeting or, if earlier, on 28 April 2009 (unless previously revoked or varied by the Company in General Meeting) save that the Company may before expiry of this authority make an offer or agreement which would or might require relevant securities to be allotted after its expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority hereby conferred had not expired.

The following resolutions will be proposed as special resolutions.

14. That the Company may use electronic communications and, in particular, may send or supply any document or information to members by making them available on a website to members who do not elect to receive them in hard copy or electronically, and this resolution will supersede any provision in the Company's Articles of Association to the extent that it is inconsistent with this resolution.

15. That the Directors be and are hereby empowered (i) subject to the passing of resolution 13, pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred upon it for the purposes of Section 80 of the Act by resolution 13; and (ii) to allot equity securities (as defined in Section 94(3A) of that Act), in either case as if Section 89(i) of the Act did not apply to any such allotment at any time or times during the period beginning on the date of the passing of this resolution and ending following the conclusion of the Company's next Annual General Meeting or, if earlier, on 28 April 2009 (save that the Company may before the expiry of the power hereby conferred make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if the power hereby conferred had not expired), such power being limited to:

    (a) the allotment of equity securities in connection with any rights issue in favour of the holders of relevant Ordinary shares and relevant employee Ordinary shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings and, if the rights attaching to any other equity securities so provide, in favour of the holders of those equity securities in accordance with such rights, but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with Ordinary shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £163,000 (representing just under 5% of the issued share capital of the Company as at 28 November 2007).

16. That the Company be generally and unconditionally permitted to make market purchases (within the meaning of Section 163(3) of the Act) of Ordinary shares of 1 penny each in the capital of the Company on such terms and in such manner as the Directors of the Company may think fit provided that:

(a) the maximum aggregate number of Ordinary shares which may be purchased be limited to 32,658,000 (representing just under 10% of the issued share capital of the Company as at 28 November 2007);

(b) the minimum price payable per Ordinary share be 1 penny;

(c) the maximum price which may be paid for such Ordinary shares shall not be more than the higher of an amount equal to 5% above the average of the market value for an Ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the Ordinary shares are purchased and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;

(d) unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the next Annual General Meeting following the date of this resolution or, if earlier, on 28 April 2009; and

(e) the Company may make a contract to purchase shares under the authority conferred by this resolution prior to expiry of such authority, which may be executed wholly or partly after expiry of this authority.

On behalf of the Board

Mark Millar
Company Secretary and Head of Legal
21 December 2007

Notes :

(1) Any member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote in their place. A proxy need not be a member of the Company. A proxy card is enclosed. To be effective, it should be completed, signed and returned so as to be received by the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX, not later than 12 noon on Friday 25 January 2008, being two business days before the time appointed for the holding of the meeting.

(2) The Company, pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those members on the register of the Company as at 6pm on Friday 25 January 2008 shall be entitled to vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after 6pm on Friday 25 January 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(3) Copies of the following documents will be available for inspection at the registered office of the Company at 30 Monmouth Street, Bath BA1 2BW, and at the place of the meeting from 11.45am until its completion:

(a) the service contracts of the Company's Directors and the letters of appointment for the non-executive Directors;

(b) the Register of Directors' interests kept by the Company under Section 162 of the Companies Act 2006;

(c) the Terms of Reference of the Remuneration committee;

(d) the Terms of Reference of the Audit committee; and

(e) the Terms of Reference of the Nomination committee.

Investor information

Investor enquiries and information about Future
For enquiries of a general nature regarding the Company and for investor relations enquiries please contact Victoria Bacon at the Company's London office, or visit *www.futureplc.com* and select the investor relations section.

Registrars and transfer office
The Company's share register is maintained by Equiniti.

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel 0870 600 3970
www.equiniti.com

Shareholders should contact the registrar, Equiniti, in connection with changes of address, lost share certificates, transfers of shares and bank mandate forms to enable automated payment of dividends.

Online information – www.shareview.co.uk
Our registrar, Equiniti, has a service to provide shareholders with online internet access to details of their shareholdings. The service is free, secure and easy to use. To register for the service, go to www.shareview.co.uk.

Unsolicited mail
The share register is by law a public document. To limit the receipt of mail from other organisations, please write to Mailing Preference Services, Freepost 22, London W1E 7EZ.

Warning to shareholders
The Company has not authorised any person or organisation to contact you about your private shareholding.

Directors and advisers

Directors
Roger Parry
Chairman

Stevie Spring
Chief Executive

John Bowman
Group Finance Director

Michael Penington
Senior independent non-executive Director

Patrick Taylor
Non-executive Director

John Mellon
Non-executive Director

Seb Bishop
Non-executive Director

Company Secretary and Head of Legal
Mark Millar

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Registered in England and Wales

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Bristol BS1 5QD

Broker
UBS
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London EC2M 2PP

Principal bankers
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1 Churchill Place
London E14 5HP

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Solicitors
Allen & Overy LLP
One Bishops Square
London E1 6AO

Financial calendar

Announcement of results and final dividend recommendation
28 November 2007

Ex-dividend date
2 January 2008

Dividend record date
4 January 2008

Annual General Meeting and approval of final dividend
29 January 2008

Final dividend payment date
30 January 2008

Half-year end
31 March 2008

Announcement of interim results
May 2008

Financial year end
30 September 2008

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